

countries with confirmed cases. However, American embassies in the European Union, and possibly other countries, are not aware of these restrictions related to its containment. Additionally, airport and airline personnel appear to be inadequately informed about the need for travelers re-entering this country to take appropriate measures to avoid introducing the disease to U.S. livestock or wildlife.

A constituent of mine recently reported that a visitor coming to South Dakota from France contacted the American Embassy there to inquire about potential restrictions prior to his trip, but was told they knew of none. In fact, the state of South Dakota has banned visits to farms, sale barns and a list of other facilities for five days prior to travel, and contact with livestock or wildlife for five days after arrival in the U.S. In another incident, two producers who were part of a tour group returning from Ireland through Chicago O'Hare International Airport independently sought out disinfectant for their shoes and other belongings before returning to the state, after realizing that no airport or airline personnel were requiring travelers to take any such precautions.

This week I have worked with my colleagues on both sides of the aisle to draft a bill to address these needs. Today, I join Senators HARKIN and HATCH, and over 40 of our colleagues, to introduce The Animal Disease Risk Assessment Prevention and Control Act of 2001. The bill would require USDA, in consultation with other relevant federal agencies, to submit what I think will be very valuable information to Congress, in the shortest time feasible.

First, the bill would require USDA to provide information about the Administration's FMD and BSE prevention and control plan, including: 1. how federal agencies are coordinating their activities on FMD and BSE; 2. how federal agencies are communicating information on FMD and BSE to the public; and 3. whether the Administration needs additional legislative authority or funding to most appropriately manage the threat that FMD, BSE, or related diseases may pose to human health, livestock, or wildlife.

Second, the bill would require USDA to provide information relevant to a longer-term disease prevention and management strategy for reducing risks in the future, including: 1. The economic impacts associated with the potential introduction of FMD, BSE, or related diseases into the United States; 2. The potential risks to public and animal health from FMD, BSE, and related diseases; and 3. recommendations to protect the health of our animal herds and our citizens from these risks, including, if necessary, recommendation for additional legislative authority or funding.

One of the most important steps we can take to prevent the introduction of FMD and BSE to the U.S. is also one of

the simplest: improved access to information. In addition to the actions USDA, FDA and other agencies are taking to control the diseases, it is imperative that the State Department, the Department of Treasury, the Department of Transportation, the Department of Defense, and other agencies act immediately to provide the best possible information to travelers, the military, and others, including news of sanitation, travel restrictions, and other precautions.

Again, I commend the actions USDA and other agencies to prevent the incidence of these diseases abroad from creating a crisis in the U.S. I think we all appreciate the sensitivity of this issue, and that no one gains from exaggerating or misrepresenting potential risks in a situation such as this. Neither would the U.S. benefit in the long run by limiting trade with other countries for reasons other than those that are purely health and safety-related, and can be scientifically substantiated. At the same time, we have every right to protect the health of our domestic livestock industry in a pro-active and comprehensive manner. To that end, I look forward to passing this legislation quickly, so we can ensure that the Administration has the information and resources it needs to respond to this situation and to ensure that the public is fully aware of the steps being taken on their behalf.

#### STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS—APRIL 6, 2001

By Mr. BOND (for himself and Mr. BREAU):

S. 724. A bill to amend title XXI of the Social Security Act to provide for coverage of pregnancy-related assistance for targeted low-income pregnant women; to the Committee on Finance.

Mr. BOND. Mr. President, I rise today to introduce a bill that I believe is vitally important to the health care of children and pregnancy women in America. The goal of this legislation is simply, to make sure more pregnancy women and more children are covered by health insurance so they have access to the health care services they need to be healthy.

The need is great, on any given day, approximately 11 million children and close to half a million pregnant women do not have health insurance coverage. For many of these women and children, they or their family simply can't afford insurance, and lack of insurance often means inability to pay for care. The further tragedy is that quite a few are actually eligible for a public program like Medicaid or the State Children's Health Insurance Program, but many of those don't know they are eligible and are not signed up.

Lack of health insurance can lead to numerous health problems, both for children and for pregnant women. A child without health coverage is much less likely to receive the health care

services that are needed to ensure the child is healthy, happy, and fully able to learn and grow. An uninsured pregnant woman is much less likely to get critical prenatal care that reduces the risk of health problems for both the woman and the child. Babies whose mothers receive no prenatal care or late prenatal care are at-risk for many health problems, including birth defects, premature births, and low birth-weight.

The bill I am introducing deals with this insurance problem in two ways.

First, it allows states to provide prenatal care for low-income pregnant women under the State Children's Health Insurance Program—also known as SCHIP—if the state chooses.

Through the joint federal-state SCHIP program, states are currently expanding the availability of health insurance for low-income children. However, federal law prevents states from using SCHIP funds to provide prenatal care to low-income pregnant women over age 19, even though babies born to many low-income women become eligible for SCHIP as soon as they are born.

Approximately 41,000 additional women could be covered for prenatal care. There are literally billions of dollars of SCHIP funds that states have not used yet, so I would hope that most states would choose this option. This provision will not impact federal SCHIP expenditures because it does not change the existing federal spending caps for SCHIP. Babies born to pregnant women covered by a state's SCHIP program would be automatically enrolled and receive immediate coverage under SCHIP themselves.

It is foolish to deny prenatal care to a pregnant mother and then, only after the baby is born, provide the child with coverage under SCHIP. Prenatal care can be just as important to a newborn baby as postnatal care, and the prenatal care is of course important for the mother as well.

We know that states will be interested. Two states have already gone through the difficult Health Care Financing Administration waiver process to get permission to cover pregnant women through their SCHIP programs. But you shouldn't have to get a waiver to do something that makes so much sense. This bill will make it an automatic option that any state can do without the need of a waiver.

Second, the bill will help states reach out to women and children who are eligible for, but are not enrolled in, Medicaid or SCHIP. Approximately 340,000 pregnant women and several million children are estimated to be eligible for but not enrolled in Medicaid. Millions of additional children are eligible for but not yet enrolled in SCHIP. We must reach out to these people to make sure they know they have options which they are not using.

When Congress passed the welfare reform bill back in 1996, we created a \$500 million fund that states could tap into to make sure that all Medicaid-eligible

people stayed in Medicaid. The problem is that only half of that fund has been used. My bill would give states more flexibility to use this fund to reach out to both Medicaid and SCHIP-eligible women and children.

In addition, my bill tries to make greater use of what is known as presumptive eligibility. Under presumptive eligibility, states are allowed to temporarily enroll children whose family income appears to be below Medicaid or SCHIP income standards, until a final determination of eligibility is made. This is useful because it allows people to get health care services at the same time that they are waiting, sometimes for as much as a month or two, for a final eligibility determination.

Without presumptive eligibility, experience has shown that fewer people will fill out the applications forms, and fewer people will be willing to wait until a final decision is made. When it comes to trying to ensure that people get health care, we need to remove as many barriers as possible. That is why presumptive eligibility is useful, it removes a barrier.

Right now, states may grant presumptive eligibility for both pregnant women in Medicaid and for children in Medicaid and in SCHIP. Because my legislation would allow pregnant women to be covered through SCHIP for the first time, my bill also extends presumptive eligibility for pregnant women into the SCHIP program. In addition, in legislation passed last December, Congress expanded the types of sites states can use to grant presumptive eligibility for children to also include schools and other entities that states think will be able to identify people eligible for these programs. However, we failed to give states the ability to use these additional entities as sites to enroll pregnant women. My bill would correct that omission.

The bottom line is that this bill will help provide health care to more pregnant women. With hundreds of thousands of pregnant women lacking insurance, and with hundreds of thousands lacking adequate prenatal care, we are compelled to focus on this issue.

I believe this is crucial legislation, and urge my colleagues to join me in support of it so that we can pass this bill.

By Mr. GRASSLEY:

S. 725. A bill to amend the Internal Revenue Code of 1986 to codify the authority of the Secretary of the Treasury, to issue regulations covering the practices of enrolled agents before the Internal Revenue Service; to the Committee on Finance.

Mr. GRASSLEY. Mr. President, today I rise to introduce the Enrolled Agent Credentials Protection Act. This legislation would make it clear that Enrolled Agents have the right to use their federally granted credentials, by making it clear that states shall not restrict enrolled agents from using the

words "Enrolled Agent" or the abbreviations "EA" and "E.A."

A number of states have enacted laws that restrict the right of Enrolled Agents to use their credentials or designations as Enrolled Agents. The Supreme Court has held in similar situations that because the Federal Government grants the license, restricting its use is an unmerited exercise of state powers. This legislation is consistent with the Uniform Accountancy Act, Third Edition, as drafted by the American Institute of Certified Public Accountants and National Association of State Accountancy Boards.

Enrolled Agents have been providing valuable services to taxpayers since 1884. Since that time, the profession has evolved and now includes preparing and advising on tax returns for individuals, partnerships, corporations, estates, trusts and any entity with tax-reporting requirements. They also provide affordable representation to individuals and small businesses with disputes before the Internal Revenue Service. At present, there are approximately 35,000 Enrolled Agents in the country providing practical and affordable tax service to taxpayers.

Enrolled Agents are highly qualified tax professionals. While certified public accountants and licensed attorneys also represent taxpayers before the Internal Revenue Service, only Enrolled Agents are required to demonstrate to the IRS their technical competence in the field of taxation. In order to maintain their status as Enrolled Agents, they must take 72 hours of continuing professional education, reported every three years to the IRS. Because Enrolled Agents focus on federal taxes and tax administration, they are able to keep on the forefront of current changes in the law and regulations.

The Enrolled Agent designation dates to the Enabling Act of 1884 and the profession is regulated by Treasury Circular 230, the same body of regulations that governs the practice of attorneys and certified public accountants before the Internal Revenue.

This bill would restate the statutory validation that Enrolled Agents hold and allow them the right to use their credentials as Enrolled Agents. In doing so, this bill does not add to the powers that Enrolled Agents currently maintain, nor would it affect the rules and regulations provided for in Treasury Circular 230.

Section 10.30 of Circular 230 authorizes Enrolled Agents to advertise and display their ability to practice before the IRS provided the designation is not misleading or deceptive to the public. Neither Congress nor the Treasury Department ever intended for states to interfere with the right of Enrolled Agents to inform taxpayers that they hold a license to practice before the Internal Revenue Service.

By Mr. BREAUX (for himself, Mr. THOMPSON, Mr. MILLER, Mr. CLELAND, Ms. LANDRIEU, Mr.

SHELBY, Mr. BUNNING, and Mr. FRIST):

S. 726. A bill to amend the Internal Revenue Code of 1986 to provide for the treatment of prepayments for natural gas; to the Committee on Finance.

Mr. BREAUX. Mr. President, I am introducing legislation today to address a problem that has prevented municipal gas systems from using their tax exempt borrowing authority to obtain an assured, long-term supply of competitively-priced natural gas. I am joined today by my colleagues, Senators THOMPSON, MILLER, CLELAND, LANDRIEU, SHELBY, BUNNING and FRIST.

There are approximately 1,000 publicly owned gas distribution systems in the United States, the vast majority of which are located in small towns and rural communities across my home state of Louisiana and across the country. In 1993, the Federal Energy Regulatory Commission, FERC, restructured the natural gas industry so that municipal gas systems could no longer purchase natural gas supplies on a reliable and regulated basis from interstate natural gas pipelines. This fundamental change in the marketplace meant that for the first time municipal gas systems had to acquire reliable gas supplies and transport on their own in a deregulated marketplace. In response, many formed joint action agencies—as contemplated in the FERC restructuring, to acquire and manage the delivery of gas.

In today's turbulent natural gas markets, long-term prepaid supply arrangements are the most reliable means of obtaining an assured supply of natural gas. To fund prepaid supply contracts, a municipality or a joint action agency issues tax-exempt bonds. These contracts contain stiff penalties if the supplier fails to fulfill its contract—making this the most reliable gas supply that municipal gas agencies can purchase. The seller discounts the price for several reasons including the fact that a prepaid contract eliminates the normal credit risk associated with selling gas to non-rated governmental entities. Municipal gas systems are able to obtain these firm gas supplies at more competitive prices. Until August of 1999, joint action agencies entered into prepayment supply contracts with gas suppliers to obtain a long-term, e.g., 10-year, supply of gas.

In August 1999, the IRS effectively prevented municipal gas systems from using their tax-exempt borrowing authority to fund the purchase of long-term, prepaid supplies of natural gas for their citizens. In a statement on an unrelated matter, the IRS questioned whether the purchase of a commodity, such as natural gas, under a prepaid contract financed by tax-exempt bonds has a principal purpose of earning an investment return. In this scenario, the bonds would run afoul of the arbitrage rules of the Internal Revenue Code.

Confusion over the IRS' statement and fear of impending regulations has

led to the effective elimination of an extremely effective method of securing natural gas for local communities. The IRS has yet to issue any clarification or guidance on this issue.

Under current law, tax-exempt bonds may not be used to raise proceeds that are then used to acquire "investment-type property" having a higher yield than the bonds. Governmental bonds that violate this arbitrage restriction do not qualify for tax-exempt status. Treasury regulations provide that investment-type property includes certain prepayments for property or services "if a principal purpose for prepaying is to receive an investment return." But, "a prepayment does not give rise to investment-type property if . . . the prepayment is made for a substantial business purpose other than investment return and the issuer has no commercially reasonable alternative to the prepayment. . . ." A nearly identical standard is used to determine whether a prepayment transaction is treated as a loan for purposes of the private loan-financing test. If a transaction is considered a private loan financing, the bonds are treated as private activity bonds. Although municipal gas systems clearly have a "substantial business purpose" for entering into prepayment transactions and "no commercially reasonable alternative," the lack of clarification on this IRS language has hampered the most efficient tool available to public gas systems to secure long-term supplies of natural gas.

The bill does not overturn current law or any IRS regulations. It simply clarifies the law, both with respect to the arbitrage rules and the private loan financing rules, to allow an effective and reasonably-priced energy delivery system to continue unimpeded.

The United States is in the midst of an energy crisis. Natural gas distribution systems are scrambling to obtain an assured supply of natural gas, even while prices have skyrocketed in the last few months. The ability of small communities to use their tax-exempt borrowing authority to obtain a long-term, assured supply of competitively-priced natural gas is essential. By clarifying current law, we provide a low-cost natural gas option for millions of Americans across the country.

I ask unanimous consent that the text of the bill be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 726

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

#### SECTION 1. SHORT TITLE.

This Act may be cited as the "Municipal Utility Natural Gas Supply Act of 2001".

#### SEC. 2. ARBITRAGE RULES NOT TO APPLY TO PREPAYMENTS FOR NATURAL GAS.

(a) IN GENERAL.—Subsection (b) of section 148 of the Internal Revenue Code of 1986 (defining higher yielding investments) is amended by adding at the end the following new paragraph:

"(4) EXCEPTION FOR CERTAIN PREPAYMENTS TO ENSURE NATURAL GAS SUPPLY.—The term 'investment property' shall not include any prepayment for the purpose of obtaining a supply of natural gas reasonably expected to be used in a business of 1 or more utilities each of which is owned and operated by a State or local government, any political subdivision or instrumentality thereof, or any governmental unit acting for or on behalf of such a utility."

(b) EFFECTIVE DATE.—The amendment made by this section shall take effect as if included in the amendments made by section 1301 of the Tax Reform Act of 1986.

#### SEC. 3. PRIVATE LOAN FINANCING TEST NOT TO APPLY TO PREPAYMENTS FOR NATURAL GAS.

(a) IN GENERAL.—Paragraph (2) of section 141(c) of the Internal Revenue Code of 1986 (relating to exception for tax assessment, etc., loans) is amended by striking "or" at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting "or", and by adding at the end the following new subparagraph:

"(C) arises from a transaction described in section 148(b)(4)."

(b) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in the amendments made by section 1301 of the Tax Reform Act of 1986.

By Ms. COLLINS (for herself and Mr. FEINGOLD):

S. 727. A bill to provide grants for cardiopulmonary resuscitation (CPR) training in public schools; to the Committee on Health, Education, Labor, and Pensions.

Ms. COLLINS. Mr. President, I am pleased to be joining with my colleague from Wisconsin, Senator RUSS FEINGOLD, in introducing the Teaching Children to Save Lives Act which will help train a generation of potential lifesavers by providing funding for programs to teach children the basic life-saving skill of cardiopulmonary resuscitation, or CPR.

Approximately 220,000 Americans die each year of sudden cardiac arrest. The American Heart Association estimates that about 50,000 of these lives could be saved each year if more people implemented what it calls the "Chain of Survival," which includes an immediate call to 911, early CPR and defibrillation, and early advanced life support. The Teaching Children to Save Lives Act, which we are introducing today, will help strengthen the second link in this chain by providing grants to schools to implement CPR training programs. Schools could use these funds to work in conjunction with community organizations such as local fire and police departments, hospitals, parent-teacher associations and others to provide CPR training. The legislation authorizes \$30 million over three years for the Department of Health and Human Services to award grants to States to support these community partnerships and to help schools train teachers and purchase materials such as mannequins. Those schools that are fortunate enough to have CPR programs will be able to apply for funding to help train students in the use of automated external defibrillators, a life-saving device that

shocks a heart back to its normal rhythm when it stops beating.

We have all heard stories about situations where a school age child or teenager has been the witness, perhaps the only witness, to a heart attack or other health emergency. Many kids, and adults for that matter, simply don't know what to do in the face of such an emergency. Given the proper training, however, our young people are perfectly capable of responding to calmly and appropriately to a life-threatening situation.

For example, the Red Cross in Maine recently honored Sara Boyorak, a student at Bangor High School, for her quick response when her 22-month old nephew Blake, suddenly stopped breathing. Sara was riding in the car with Blake and her parents to a family get-together. It was a miserably hot day and Blake was suffering from a terrible ear infection. Sara was entertaining Blake in his car seat when he suddenly stopped responding to her. She then noticed that his face was turning a bluish color. Evidently, the heat of the day combined with the fever from his ear infection had caused Blake to stop breathing.

Sara had taken CPR in a Red Cross class at her school so she was prepared and knew just what to do. She immediately leaped into action and initiated the "Chain of Survival." She directed her father to stop the car and her mother to call 911 on the cell phone. She then placed Blake on the back seat of the car, and, when she had determined that he was not breathing and had no pulse, she started performing CPR, just as she had learned in her class. As a consequence of her quick action, Blake regained consciousness before the ambulance arrived, and will soon be celebrating his third birthday, thanks to his Aunt Sara.

The Teaching Children to Save Lives Act will enable more school children like Sara to learn the CPR skills they may need to save the life of a family member or loved one. Moreover, teaching CPR to our children and teens will not only improve their confidence in responding to emergencies, but it will also encourage them to update and maintain these skills into adulthood.

The Teaching Children to Save Lives Act is supported by coalition of groups including the American Heart Association, the Red Cross, the National Education Association, and the School Nurses Association, and I urge all of my colleagues to join us in cosponsoring the legislation.

Mr. FEINGOLD. Mr. President, I rise today to join my friend and colleague from Maine to introduce the "Teaching Children to Save Lives Act." This legislation will help schools in their efforts to provide students with chain of survival training, including training in cardiopulmonary resuscitation, CPR, and in the use of Automated External Defibrillators, AEDs. It is vital that we support local and community based efforts to equip younger generations

with the necessary skills to deal with life-threatening cardiac emergencies.

Over two hundred twenty thousand Americans die each year of sudden cardiac arrest. About 50,000 of these victims lives could be saved each year if more people implemented the "Chain of Survival," which includes an immediate call to 911, early CPR and defibrillation, and early advanced life support. The Teaching Children to Save Lives Act will help strengthen the second link in the Chain by providing grants to schools to implement CPR training programs and help some schools train their students in AED use.

In Wisconsin, we've seen many examples where a school age child or teenager is the first witness to a heart attack. Unfortunately, most kids would not know what to do in the face of such an emergency. As a matter of fact, many adults wouldn't know what to do either. In response to this break in the chain of survival, a number of localities have pushed for increased CPR training and public access to defibrillation in schools.

In my home state of Wisconsin, a broad coalition including the Children's Hospital of Wisconsin, the American Red Cross, the American Heart Association and the Children's Hospital Foundation created Project Adam in memory of a student who tragically collapsed and passed away while playing competitive sports. This legislation follows the lead of Project Adam, which fosters awareness of the potential for sudden cardiac arrest in the adolescent population and facilitates training of high school staff and students in CPR and in the use of AEDs.

The Teaching Children to Save Lives Act builds on these efforts by providing funding to teach the basics of the chain of survival and provide funding for AED training devices. This legislation also has sufficient flexibility to allow States and communities the ability to address their local needs. For example, schools could either begin their efforts to teach the Chain of Survival by starting a CPR training program or build on existing efforts by applying for grants to train students to use automatic external defibrillators. As a result of Project Adam, at least one life has been saved so far and three other children have survived episodes because of early defibrillation.

Many of our schools lack the resources they need for basic health educational programs. This legislation would follow the lead of local efforts such as Project Adam and demonstrate that the Federal government wants to be a partner in these lifesaving efforts.

I want to especially thank my friend from Maine, Senator COLLINS, who has worked with me to improve the chain of survival across the United States. Without her leadership last year on our legislation to improve access to defibrillators in rural areas, we would not have been able to move forward with legislation that will improve car-

diac survival rates across rural communities.

I hope my colleagues will join us in our continued efforts to improve cardiac arrest rates by working with us to pass this important legislation to provide communities the support they need to effectively teach CPR in the schools.

By Mr. KOHL (for himself, Mr. DORGAN, and Mr. CONRAD):

S. 728. A bill to establish a demonstration project to waive certain nurse aide training requirements for specially trained individuals who perform certain specific tasks in nursing facilities participating in the medicare or medicaid programs, and to conditionally authorize the use of resident assistants in such nursing facilities; to the Committee on Finance.

Mr. KOHL. Mr. President, I rise today to introduce the Medicare and Medicaid Nursing Services Quality Improvement Act. I am pleased to work with Senators DORGAN and CONRAD in this important effort to improve the quality of care in our nation's nursing homes.

This legislation serves two purposes. First, as part of an 8-State demonstration project, it allows Wisconsin nursing homes to continue utilizing Resident Assistants, or "single task employees" as they are referred to in Wisconsin, to help provide care to residents. Second, it provides for a thorough evaluation of Resident Assistants to assess their impact on quality of care, as well as their impact on the recruitment, retention, and salaries of other nursing staff.

For the past seven years, many nursing facilities in Wisconsin have been utilizing single task employees to help provide care to residents. Single task employees have helped primarily with feeding and hydration services and have provided often-needed extra assistance during the busier mealtime hours. All single task employees must go through a training program. In many cases, those who perform these single tasks are already on staff serving in other non-nursing capacities.

Last year, the Health Care Financing Administration, HCFA, notified the State of Wisconsin that the use of single task employees in nursing homes was not permissible under Federal law. In particular, HCFA noted that only staff who have undergone the required training to become a Certified Nurse Aide, CNA, may perform nursing-related tasks in Medicaid facilities. Therefore, faced with no other recourse, Wisconsin submitted and HCFA approved a plan to phase out the use of single task employees by the end of 2001.

I am deeply concerned that the immediate removal of all single task employees could worsen staffing shortages that many Wisconsin nursing homes already face. A December, 2000 survey of 247 Wisconsin nursing homes found that nearly 32 percent were currently

suspending or restricting admissions or had done so in the prior six months due to inadequate staffing.

I recognize that there are many factors that have contributed to staffing shortages in Wisconsin and across the nation. I believe that we need to look for long-term solutions to strengthen training and improve staffing in nursing homes, and I am committed to working in that effort. We must all work together to find ways to attract greater numbers of qualified people to become CNAs, and ensure they receive the support, training and compensation they deserve for their hard work and dedication.

In the meantime, this legislation provides a short-term solution to address the staffing shortages Wisconsin nursing homes face today. Under the bill, Wisconsin would be one of 8 demonstration States and could continue to use single task workers, referred to in the legislation as "Resident Assistants" to account for differences in terminology between States. The information we obtain from these Demonstration States will help us evaluate the impact of Resident Assistants and provide us with valuable insight to improve the quality of nursing home care.

Because this is a Demonstration Project, this bill provides safeguards to closely monitor the use of Resident Assistants. Under the bill, Resident Assistants would be limited to providing assistance with feeding and hydration. All Resident Assistants would be required to go through a training program approved by the State. They must be trained in feeding and hydration skills, recognizing and alerting licensed staff to the signs of malnutrition and dehydration, understanding the aging and disease processes of the elderly, responding to choking emergencies and alerting licensed staff to other emergencies, taking precautions to prevent the spread of disease, and residents' rights. In addition, all Resident Assistants must be supervised at all times by a licensed health professional.

I also want to stress that this bill strictly prohibits nursing homes from replacing certified nursing staff with Resident Assistants, and Resident Assistants may not be counted toward any minimum staffing requirements that nursing homes are or could be required to meet. Let me be clear: Resident Assistants are not intended to serve as a substitute for the specialized care that nurse aides provide. They are intended to be utilized as supplemental help with feeding and hydration services for residents, to provide an extra pair of hands at busier mealtimes, and to provide some assistance to nurse aides who are stretched so thin so they can focus on other critical nursing tasks.

Most importantly, let me reiterate that this is a time-limited demonstration project. This legislation ensures that we collect reliable data on the use of Resident Assistants, which will be

analyzed by an advisory panel made up of nursing home representatives, Long-Term Ombudsmen, State and Federal officials, consumer groups, and labor representatives.

The advisory panel will look at a variety of factors to determine the impact of the project, including: the effect on quality of care compared to non-demonstration States, the effect on staffing levels and ratios in nursing homes, the effect on recruitment, retention and salaries of nursing aides, and resident satisfaction with feeding and hydration services.

The advisory panel will evaluate this data and submit recommendations to the Secretary of the Department of Health and Human Services. The Secretary will then submit a final report to Congress on the demonstration. If the Secretary finds that the demonstration project resulted in diminished quality of feeding and hydration services, or if recruitment, retention, or salaries of nursing staff decreased as a direct result of the use of Resident Assistants, then the demonstration project would end and all nursing homes must cease using Resident Assistants. However, if the Secretary finds that the demonstration projects were successful, only then may the Secretary expand the use of Resident Assistants nationwide, but with the same safeguards as the demonstration project. They would be limited to feeding and hydration services, required to undergo comprehensive training and be supervised by licensed health professionals, and be subject to the same requirement that they may only augment, not replace nursing staff.

This legislation will not only help stave off an even greater staffing problem in Wisconsin today. It will also give us the opportunity to take a closer look at Resident Assistants so we can make an informed determination as to whether they can help improve the quality of care in our nation's nursing homes. Our nursing homes in Wisconsin believe that Resident Assistants can be a valuable addition, and this bill will allow us to keep an open mind and look at all of the evidence in a thorough evaluation.

This legislation helps address the challenges we face today. At the same time, let me reiterate that I am committed to working with my colleagues to look for longer-term solutions to address staffing shortages in order to ensure quality nursing home care far into the future.

Mr. President, I ask unanimous consent that the text of the bill be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 728

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

#### SECTION 1. SHORT TITLE.

This Act may be cited as the "Medicare and Medicaid Nursing Services Quality Improvement Act of 2001".

#### SEC. 2. DEMONSTRATION PROJECT TO WAIVE CERTAIN NURSE AIDE TRAINING REQUIREMENTS FOR SPECIALLY TRAINED INDIVIDUALS WHO PERFORM CERTAIN COVERED TASKS IN MEDICARE AND MEDICAID NURSING FACILITIES.

(a) DEMONSTRATION PROJECT.—Not later than October 1, 2001, the Secretary shall conduct a demonstration project under which a resident assistant may perform a covered task for a resident of a covered nursing facility in a demonstration State.

(b) REQUIREMENTS.—

(1) MINIMUM STAFFING REQUIREMENTS NOT AFFECTED.—A resident assistant performing a covered task under this section—

(A) may augment, but not replace, existing staff of a covered nursing facility; and

(B) shall not be counted toward meeting or complying with any requirements for nursing care staff and functions of such a facility, including any minimum nursing staffing requirement imposed under section 1819 or 1919 of the Social Security Act (42 U.S.C. 1395i-3, 1396r).

(2) EXCLUSION OF PARTICIPATION.—

(A) BASED ON REPLACEMENT OF CERTIFIED NURSING STAFF.—

(i) IN GENERAL.—Subject to clause (ii), the Secretary may exclude from participation in the demonstration project any covered facility that the Secretary determines (on the basis of data submitted under subsection (c) or otherwise) has replaced certified nurse assistants with resident assistants.

(ii) LIMITATION.—The Secretary may not exclude a facility under clause (i) unless the Secretary has reviewed all pertinent data that may reflect on a reduction of nursing staff in the facility, including changes in resident population and case mix.

(B) BASED ON POOR TREATMENT RECORDS OR INSUFFICIENT LICENSED STAFF.—The Secretary may exclude from participation in the demonstration project any covered nursing facility that a State survey agency recommends be excluded because of unsatisfactory treatment records or insufficient licensed staff to provide supervision of resident assistants.

(c) DATA COLLECTION.—

(1) DATA REGARDING INITIAL WORKFORCE.—

(A) IN GENERAL.—At the beginning of a covered nursing facility's participation in the demonstration project, the facility shall submit to the appropriate State agency of the demonstration State independently verifiable data regarding the composition of the facility's workforce at the time such participation commences.

(B) DATA REGARDING RESIDENT ASSISTANTS.—Such data shall include—

(i) the number of resident assistants in the facility hired solely to perform covered tasks and the number of such assistants performing additional tasks; and

(ii) the number of residents of the facility who are served by such resident assistants.

(C) TRANSMITTAL OF DATA TO SECRETARY.—The State agency shall forward such data to the Secretary.

(2) DATA REGARDING PERFORMANCE OF RESIDENT ASSISTANTS.—Each such facility shall submit to such State agency data, at such times and in such manner as the Secretary may require, regarding the performance of covered tasks by resident assistants under the demonstration project.

(3) TRANSMISSION OF DATA TO THE SECRETARY.—The State agency shall forward data collected under this subsection to the Secretary. The Secretary shall compile data collected under this section with data collected pursuant to sections 1819 and 1919 of the Social Security Act (42 U.S.C. 1395i-3, 1396r) for purposes of excluding a facility from participation in the project under sub-

section (b)(2) and performing the analysis under subsection (d)(2).

(d) REPORTS TO CONGRESS.—

(1) ANNUAL REPORTS.—Not later than December 1 of each of 2002 and 2003, the Secretary shall submit to Congress a report on the project, and include an analysis that meets the requirements of paragraph (3).

(2) FINAL REPORT.—Not later than December 1, 2004, the Secretary shall submit a report to Congress required under section 3(c)(2)(B) that includes the recommendations of the advisory panel convened under paragraph (4).

(3) ANALYSIS REQUIREMENTS.—The analysis required under paragraph (1) shall—

(A)(i) examine the effect of resident assistants on the quality of resident care in facilities in demonstration States, and

(ii) compare such quality of resident care with the quality of resident care in facilities in other States,

by employing quality indicators determined by the Secretary, including with regard to nutrition and hydration, nutrition and hydration levels, unplanned weight loss or gain, and the number of citations for nutrition-related violations relating to such residents;

(B) examine the effect of resident assistants on staffing levels and ratios in covered nursing facilities, including staffing levels for duties performed by resident assistants in other capacities in the facility (such as housekeeping or claims processing);

(C) measure the effect that the presence of such resident assistants has on certified nurse assistants, including—

(i) recruitment and retention within the certified nurse assistant profession;

(ii) wage structures in effect for such certified nursing assistants during the demonstration project and, in particular, whether payment under such structures decreased as a result of the use of resident assistants; and

(iii) instances of resident assistants being promoted to certified nurse assistant positions; and

(D) examine resident satisfaction with respect to nutrition and hydration services provided by resident assistants.

(4) ADVISORY PANEL.—

(A) DUTIES.—Not later than November 1, 2003, the Secretary shall convene an advisory panel that shall—

(i) review and evaluate the data collected in accordance with subsection (c); and

(ii) submit recommendations on the use or improvement of resident assistants in covered nursing facilities.

(B) MEMBERSHIP.—The advisory panel convened under subparagraph (A) shall consist of representatives of the following:

(i) The Health Care Financing Administration of the Department of Health and Human Services.

(ii) National and local organizations representing for-profit and nonprofit covered nursing facilities.

(iii) Consumer groups.

(iv) State long-term care ombudsmen or other nursing facility resident advocates of the State.

(v) Labor organizations.

(vi) State survey and licensure agencies.

(vii) Licensed health care providers.

(viii) Dietitians.

(ix) Speech therapists.

(x) Any other entities or individuals that the Secretary deems appropriate.

(e) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated such sums as may be necessary to carry out this section.

(f) DEFINITIONS.—In this section:

(1) DEMONSTRATION STATE.—The term "demonstration State" means—

- (A) Wisconsin,
- (B) North Dakota, and

(C) not more than 6 States (other than Wisconsin and North Dakota) as selected by the Secretary which, as of the date of enactment of this Act, have established or proposed a project, program, or policy to permit individuals who do not meet nurse aide training requirements to perform a covered task.

(2) COVERED NURSING FACILITY.—The term “covered nursing facility” means—

(A) a skilled nursing facility (as that term is defined in section 1819(a) of the Social Security Act (42 U.S.C. 1395i-3(a))), and

(B) a nursing facility (as that term is defined in section 1919(a) of the Social Security Act (42 U.S.C. 1396r(a))).

(3) RESIDENT ASSISTANT.—

(A) IN GENERAL.—The term “resident assistant” means an individual who does not meet nurse aide training requirements (as defined in paragraph (5)) but who does meet the requirements specified in subparagraph (B).

(B) RESIDENT ASSISTANT REQUIREMENTS.—For purposes of subparagraph (A), the requirements specified in this subparagraph are the following:

(i) The individual has successfully completed an initial training program administered by the facility that meets the requirements of subparagraph (C) and subsequent competency evaluations, as reviewed and approved by the demonstration State (which, with respect to the training program, may be during the facility’s standard survey).

(ii) The individual is performing a covered task under the onsite supervision (as defined in paragraph (6)) of a licensed health professional (as defined in section 1819(b)(5)(G) of the Social Security Act (42 U.S.C. 1395i-3(b)(5)(G))).

(iii) In the case of an individual performing a feeding and hydration covered task, the determination of the residents who may receive such a task from a resident assistant shall be based on the needs and potential risks to the resident, as observed and documented in the resident’s written plan of care and the comprehensive assessment of the resident’s functional capacity required under section 1818(b) or 1919(b) of the Social Security Act (42 U.S.C. 1395i-3(b), 1396r(b)).

(iv) The individual complies with any other limitations on performance of duties which may be established by the demonstration State.

(C) TRAINING PROGRAM REQUIREMENTS.—For purposes of subparagraph (B)(i), a training program shall—

(i) relate to the performance of the covered task to be performed by the individual; and

(ii) include—

(I) feeding skills and assistance with eating;

(II) the importance of good nutrition and hydration, including familiarity with signs of malnutrition and dehydration;

(III) an overview of the aging and disease process, as it relates to nutrition and hydration services;

(IV) how to respond to a choking emergency and alert licensed staff to other health emergencies;

(V) universal precautions for the prevention of the spread of communicable diseases; and

(VI) a statement of residents’ rights.

(4) COVERED TASK.—

(A) IN GENERAL.—The term “covered task” means feeding and hydration.

(B) EXCLUSIONS.—Such term does not include—

(i) administering medication,

(ii) providing direct medical care, including taking vital signs, skin care, or wound care, or

(iii) performing range of motion or other therapeutic exercises with residents.

(5) NURSE AIDE TRAINING REQUIREMENTS.—The term “nurse aide training requirements” means the requirements of sections 1819(b)(5)(F) and 1919(b)(5)(F) of the Social Security Act (42 U.S.C. 1395i-3(b)(5)(F) and 1396r(b)(5)(F)) relating to nurse aides.

(6) ONSITE SUPERVISION.—The term “onsite supervision” means that a licensed health professional referred to in paragraph (3)(B)(ii) is in the unit or floor where services are being provided, and is readily available to provide assistance if necessary.

(7) SECRETARY.—The term “Secretary” means the Secretary of Health and Human Services.

(8) DEMONSTRATION PROJECT.—The term “demonstration project” means the demonstration project conducted under this section.

(9) STATE.—The term “State” has the meaning given such term for purposes of titles XVIII and XIX of the Social Security Act (42 U.S.C. 1395 et seq., 1396 et seq.).

### SEC. 3. AUTHORIZING THE USE OF RESIDENT ASSISTANTS IN NURSING FACILITIES RECEIVING PAYMENTS UNDER THE MEDICARE OR MEDICAID PROGRAM.

(a) IN GENERAL.—Subsection (b) of sections 1819 and 1919 (42 U.S.C. 1395i-3, 1396r) of the Social Security Act, as amended by section 941 of the Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000, as enacted into law by section 1(a)(6) of Public Law 106-554, are each amended by adding at the end the following new paragraph:

“(9) USE OF RESIDENT ASSISTANTS.—

“(A) IN GENERAL.—Subject to the succeeding provisions of this paragraph, a skilled nursing facility may use a resident assistant to perform a covered task for a resident of the facility that would otherwise be performed by a nurse aide.

“(B) DEFINITION.—The term ‘resident assistant’ means an individual—

“(i) who has successfully completed an initial training program and competency evaluation, and subsequent competency evaluations, approved by the State under subsection (e)(6); and

“(ii) who is competent to perform a covered task.

“(C) REQUIREMENT FOR ONSITE SUPERVISION.—A resident assistant may only perform a covered task under the supervision of a licensed health professional (as defined in paragraph (5)(G)) who is present in the unit or floor where the covered task is performed and who is readily available to provide assistance to the resident assistant.

“(D) REQUIREMENT FOR DETERMINATION OF APPROPRIATE PATIENTS.—A resident assistant may only perform a covered task for a resident who is approved for such purpose based on the needs of, and potential risks to, the resident, as observed and documented in the resident’s written plan of care and the comprehensive assessment of the resident’s functional capacity required under this subsection.

“(E) ADDITIONAL REQUIREMENTS.—The individual complies with any other limitations on performance of duties which may be established by the State in which the covered task is performed.

“(F) MINIMUM STAFFING REQUIREMENTS NOT AFFECTED.—A resident assistant shall not be counted toward meeting or complying with any requirement for nursing care staff and functions of such facilities under this section, including any minimum nursing staffing requirement.

“(G) COVERED TASK DEFINED.—For purposes of this section, the term ‘covered task’ means feeding and hydration.”.

(b) SPECIFICATION OF TRAINING PROGRAM AND COMPETENCY EVALUATION STANDARDS.—

(1) REQUIREMENT FOR STANDARDS.—Subsection (e) of such sections are each amended by adding at the end the following new paragraph:

“(6) SPECIFICATION AND REVIEW OF RESIDENT ASSISTANT TRAINING PROGRAMS AND COMPETENCY EVALUATION AND OF RESIDENT ASSISTANT COMPETENCY EVALUATIONS.—The State must—

“(A) specify those initial training programs and competency evaluations, and those subsequent competency evaluations, that the State approves for purposes of subsection (b)(9) and that meet the requirements established under subsection (f)(8), and

“(B) provide for the review and reapproval of such evaluations, at a frequency and using a methodology consistent with the requirements established under subsection (f)(8).”.

(2) SPECIFICATION OF STANDARDS.—Subsection (f) of such sections are each amended by adding at the end the following new paragraph:

“(8) REQUIREMENTS FOR RESIDENT ASSISTANT TRAINING PROGRAMS AND COMPETENCY EVALUATIONS AND FOR RESIDENT ASSISTANT COMPETENCY EVALUATIONS.—

“(A) IN GENERAL.—For purposes of subsections (b)(9) and (e)(6), the Secretary shall establish requirements for the approval of resident assistant training programs and competency evaluations administered by the facility, including—

“(i) requirements described in subparagraph (B),

“(ii) minimum hours of initial and ongoing training and retraining,

“(iii) qualifications of instructors,

“(iv) procedures for determination of competency, and

“(v) the minimum frequency and methodology to be used by a State in reviewing compliance with the requirements for such evaluations.

“(B) REQUIREMENTS DESCRIBED.—For purposes of subparagraph (A), the requirements described in this subparagraph are the following:

“(i) Feeding skills and assistance with eating.

“(ii) The importance of good nutrition and hydration, including familiarity with signs of malnutrition and dehydration.

“(iii) An overview of the aging and disease process, as it relates to nutrition and hydration services.

“(iv) How to respond to a choking emergency and alert licensed staff to other health emergencies.

“(v) Universal precautions for the prevention of the spread of communicable diseases.

“(vi) Residents’ rights.

“(C) SPECIAL RULE FOR STATE DEMONSTRATION PARTICIPANTS.—In the case of a State that was a demonstration State (as that term is defined in subsection (f)(1) of section 2 of the Medicare and Medicaid Nursing Services Quality Improvement Act of 2001), to the extent that the demonstration State has in effect any requirement for the approval of resident assistant training programs and competency evaluations that meets or exceeds the same requirement that the Secretary establishes under this paragraph, notwithstanding subsection (b)(9)(B)(i) resident assistants who performed the covered task in facilities in that State under that demonstration project—

“(i) do not have to complete the entire initial training program and competency evaluation required under that subsection; and

“(ii) shall only be required to meet those requirements for such approval that the Secretary establishes under this paragraph that the State does not have in effect.”.



(c) CONTINGENT EFFECTIVE DATE.—(1) The amendments made by this section shall become effective (if at all) in accordance with paragraph (2).

(2)(A) Not later than December 1, 2004, the Secretary of Health and Human Services (in this paragraph referred to as the “Secretary”) shall submit to Congress a report on the results of the demonstration project established under section 2 that analyzes the effect on resident care in authorizing the use of resident assistants to furnish feeding and hydration services to residents in skilled nursing facilities under the medicare program and residents in nursing facilities under the medicaid program in the demonstration States.

(B) Such project shall be discontinued, and the amendments made by this section shall become effective, on January 1, 2005, unless the Secretary includes in that report a finding, on the basis of data collected under section 2(c) that—

(i) authorizing the use of such resident assistants to furnish such services diminishes the quality of feeding and hydration services furnished to residents of those facilities; or

(ii) any decreased recruitment and retention of nursing staff of those facilities and reduced salaries for such nursing staff is directly attributable to the use of such resident assistants to furnish such services.

By Mr. DEWINE:

S. 733. A bill to eliminate the duplicative intent requirement for carjacking; to the Committee on the Judiciary.

Mr. DEWINE. Mr. President, I ask unanimous consent that the text of the bill be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 733

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

#### SECTION 1. CARJACKING OFFENSES.

Section 2119 of title 18, United States Code, is amended by striking “, with the intent to cause death or serious bodily harm”.

By Mr. BOND (for himself and Mr. KERRY):

S. 734. A bill to amend the Foreign Service Buildings Act, 1926, to expand eligibility for the award of construction contracts under that Act to persons that have performed similar construction work at United States diplomatic or consular establishments abroad under contracts limited to \$5,000,000; to the Committee on Foreign Relations.

Mr. BOND. Mr. President, today I am introducing a bill to improve access for certain small businesses in competing for overseas construction contracts for the Department of State. Small businesses that have been able to participate in smaller construction projects overseas, through one of the small business programs, would be able to compete for larger construction contracts.

The effect of these changes is to enhance competition for these contracts. Moreover, greater competition usually means reduced costs to the taxpayer. Finally, these changes allow us to recoup the benefits from the Government

programs directed at small business. We ensure that, after helping businesses grow and develop in our small business programs, they are then able to compete in the open market for Government construction contracts.

This is certainly the goal of these small business programs, but unfortunately a technical glitch currently prevents this goal from being realized in overseas State Department construction contracts. This bill would correct that.

Specifically, these provisions would make a minor change to both the Foreign Service Buildings Act, 1926, and the Omnibus Diplomatic Security and Antiterrorism Act of 1986, both of which impose related restrictions on the firms that may do construction of overseas State Department facilities. Most of the restrictions are security-related and have to do with ensuring the firms are American in their ownership, control, and workforce. Some other provisions seek to ensure they have the technical capacity actually to perform the work.

One provision directed at the “technical capacity” issue says the firms must have performed work, comparable to the work they are seeking, in the United States. The legislative history makes clear that this particular restriction is in the law solely as an issue of past performance, not as a security matter. Since these measures passed, a small number of firms participating in small business programs have done work exclusively overseas, including work on State Department diplomatic and consular establishments. They therefore have a demonstrated past performance ability to do the work, but the two laws above currently exclude them from doing so in State Department contracts over \$5 million. (They were previously able to participate because the sole source contracts under a couple of small business programs are limited to \$3 million, so the restrictions in these two laws did not come into play.)

The bottom line here is that we have small business programs intended to give firms the opportunity to show what they can do and to help expand the Government’s vendor base. However, once these firms move beyond the small business program or seek to compete for larger contracts, we have these two laws that exclude firms who have demonstrated the ability to do overseas construction, simply because they have not done work domestically. This is a waste of the Government’s investment in their business development. This bill would allow overseas work done specifically at State Department installations to count in showing their capacity to perform subsequent contracts.

This is a relatively simple change that will increase opportunity and help the State Department maintain a strong contractor base to do this important construction work. It should be noncontroversial, and I look forward

to working with the Chairman and Ranking Member of the Foreign Relations Committee to make these changes happen.

I ask unanimous consent that the text of the bill be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 734

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

#### SECTION 1. EXPANSION OF ELIGIBILITY FOR AWARD OF CERTAIN CONSTRUCTION CONTRACTS.

(a) IN GENERAL.—Section 11(b)(4)(A) of the Foreign Service Buildings Act, 1926 (22 U.S.C. 302(b)(4)(A)) is amended by inserting “or at a United States diplomatic or consular establishment abroad” after “United States”.

(b) CONFORMING AMENDMENT.—Section 402(c)(2)(D) of the Omnibus Diplomatic Security and Antiterrorism Act of 1986 (22 U.S.C. 4852(c)(2)(D)) is amended by inserting “or at a United States diplomatic or consular establishment abroad” after “United States”.

By Mr. DEWINE:

S. 735. A bill to amend title 18 of the United States Code to add a general provision for criminal attempt; to the Committee on the Judiciary.

Mr. DEWINE. Mr. President, I ask unanimous consent that the text of the bill be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 735

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

#### SECTION 1. SHORT TITLE

This Act may be cited as the “General Attempt Provision Act”.

#### SEC. 2. ESTABLISHMENT OF GENERAL ATTEMPT OFFENSE.

Chapter 19 of title 18, United States Code, is amended—

(1) in the chapter heading, by striking “Conspiracy” and inserting “Inchoate offenses”; and

(2) by adding at the end the following:

##### “§ 734. Attempt to commit offense

“(a) IN GENERAL.—Whoever, acting with the state of mind otherwise required for the commission of an offense described in this title, intentionally engages in conduct that, in fact, constitutes a substantial step toward the commission of the offense, is guilty of an attempt and is subject to the same penalties as those prescribed for the offense, the commission of which was the object of the attempt, except that the penalty of death shall not be imposed.

“(b) INABILITY TO COMMIT OFFENSE; COMPLETION OF OFFENSE.—It is not a defense to a prosecution under this section—

“(1) that it was factually impossible for the actor to commit the offense, if the offense could have been committed had the circumstances been as the actor believed them to be; or

“(2) that the offense attempted was completed.

“(c) EXCEPTIONS.—This section does not apply—

“(1) to an offense consisting of conspiracy, attempt, endeavor, or solicitation;

“(2) to an offense consisting of an omission, refusal, failure of refraining to act;

“(3) to an offense involving negligent conduct; or

“(4) to an offense described in section 1118, 1120, 1121, or 1153 of this title.

“(d) AFFIRMATIVE DEFENSE.—

“(1) IN GENERAL.—It is an affirmative defense to a prosecution under this section, on which the defendant bears the burden of persuasion by a preponderance of the evidence, that, under circumstances manifesting a voluntary and complete renunciation of criminal intent, the defendant prevented the commission of the offense.

“(2) DEFINITION.—For purposes of this subsection, a renunciation is not ‘voluntary and complete’ if it is motivated in whole or in part by circumstances that increase the probability of detection or apprehension or that make it more difficult to accomplish the offense, or by a decision to postpone the offense until a more advantageous time or to transfer the criminal effort to a similar objective or victim.”.

(b) TECHNICAL AND CONFORMING AMENDMENT.—The analysis for chapter 19 of title 18, United States Code, is amended by adding at the end the following:

“374. Attempt to commit offense.”.

### SEC. 3. RATIONALIZATION OF CONSPIRACY PENALTY AND CREATION OF RENUNCIATION DEFENSE.

Section 371 of title 18, United States Code, is amended—

(1) by striking the second undesignated paragraph; and

(2) in the first undesignated paragraph—

(A) by striking “If two or more” and inserting the following:

“(a) IN GENERAL.—If 2 or more”; and

(B) by striking “either to commit any offense against the United States, or”; and

(3) by adding at the end the following:

“(b) CONSPIRACY.—If 2 or more persons conspire to commit any offense against the United States, and 1 or more of such persons do any act to effect the object of the conspiracy, each shall be subject to the same penalties as those prescribed for the most serious offense, the commission of which was the object of the conspiracy, except that the penalty of death shall not be imposed.”.

By Mr. REID (for himself and Mr. ENSIGN):

S. 737. A bill to designate the facility of the United States Postal Service located at 811 South Main Street in Yerington, Nevada, as the “Joseph E. Dini, Jr. Post Office”; to the Committee on Governmental Affairs.

Mr. REID. Mr. President, I rise today along with my colleague from Nevada, Senator ENSIGN, as well as the Nevada delegation in the House of Representatives, to introduce legislation designating the United States Post Office facility located at 811 Main Street in Yerington, NV, as the “Joseph E. Dini, Jr. Post Office.”

When the Nevada State Legislature opened its 71st session earlier this year, something was very different. For the first time in more than sixteen years, Joe Dini was not the Speaker of the Assembly. For an unparalleled eight times, Joe Dini was elected Speaker by his peers in the Nevada State Assembly. Now the Speaker Emeritus, Joe Dini is in his eighteenth term representing his beloved hometown of Yerington, NV, and is the longest serving Member in the history of the Nevada State Assembly.

Joe Dini was born and raised in the small town of Yerington, NV. Many of

my colleagues in the Senate have heard me talk about my hometown of Searchlight at the southern tip of the State of Nevada. As much as I love Searchlight, Joe Dini adores his beloved hometown of Yerington. A native Nevada, Joe attended the University of Nevada in Reno and was first elected to the Nevada State Assembly in 1966. As a freshman elected to the Assembly in 1969, I had the pleasure to work with Joe Dini, and I looked to him as a mentor and a friend. In 1973, he became Speaker pro tempore of the Chamber, and in 1975 he was elected majority leader. During his tenure, Joe became the leading authority in the legislature on western water issues, a subject that is vitally important to our state, especially in the many rural communities throughout Nevada.

Joe is also an active participant with many community service organizations in Yerington and throughout Nevada. He is a member of the Yerington Rotary Club and the Yerington Volunteer Fire Department, and has been recognized by a variety of groups such as the Nevada State Firefighters Association, the Nevada Wildlife Federation, the Nevada State Education Association and the Nevada Judges Association. The Kiwanis Club in Yerington has also recognized Joe Dini as its Man of the Year.

It is a pleasure and honor to join my colleagues from Nevada in introducing this bill naming the post office on Main Street in his beloved hometown of Yerington, Nevada, after Joseph E. Dini, Jr. By recognizing his dedication to a career in public service, we are also thanking Joe for a life-long commitment to the people and the State of Nevada.

I ask unanimous consent that the text of the bill be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

#### S. 737

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

#### SECTION 1. JOSEPH E. DINI, JR. POST OFFICE.

(a) DESIGNATION.—The facility of the United States Postal Service located at 811 South Main Street in Yerington, Nevada, shall be known and designated as the “Joseph E. Dini, Jr. Post Office”.

(b) REFERENCES.—Any reference in a law, map, regulation, document, paper, or other record of the United States to the facility referred to in subsection (a) shall be deemed to be a reference to the Joseph E. Dini, Jr. Post Office.

Mr. ENSIGN. Mr. President, I rise today in order to join my colleague Senator REID and other members of the Nevada Delegation in introducing a bill that would designate the U.S. Post Office facility located at 811 Main Street in Yerington, as the “Joseph E. Dini, Jr. Post Office.”

Joseph Dini was born and raised in Yerington, Nevada. As a native Nevadan, Joe has passionately served the interests of Western Nevadans in the

State Assembly for over thirty years. His tenure as the longest-serving assemblyman in Nevada's history includes a record eight terms as Speaker. In 1995, Joe was a co-Speaker over an evenly divided State Assembly, and it was his effective leadership that allowed the Legislature to maintain its productivity and pass sweeping reforms to Nevada's criminal justice system.

In addition to his service to Nevada as a legislator, Joe has been extremely active in a number of community service organizations. Specifically, he serves as a member of the Yerington Rotary Club and has been involved with the Yerington Volunteer Fire Department. Joe has also received special recognition awards from such groups as the Nevada State Firefighters Association, Nevada Farm Bureau, Nevada Judges Association, Nevada Education Association and the Yerington Kiwanis Club.

Joe embodies the best in public service and bipartisanship, and is admired throughout Nevada as a valuable mentor and leader. Joe spent the last three decades working tirelessly and behind the scenes for our State. All Nevadans will be proud to have a post office named after a man who has committed his life to public service.

By Mr. SMITH of New Hampshire:

S. 738. A bill to amend the Voting Rights Act of 1965 to protect the voting rights of members of the Armed Forces; to the Committee on Rules and Administration.

Mr. SMITH of New Hampshire. Mr. President, I rise to offer the Armed Forces Voting Rights Act of 2001. There is a problem with federal law that allowed members of the armed forces to be disenfranchised in Florida in the most recent presidential election. My bill would stop the discrimination.

Over time, federal law has recognized more and more rights for our military personnel that serve overseas. Several federal laws have been enacted since 1942 to enable those in the military and U.S. citizens who live abroad to vote in federal elections. The Soldier Voting Act of 1942 was the first attempt to guarantee federal voting rights for members of the armed forces and that law only applied during wartime. Members of the armed forces were provided the use of a postage free, federal post card application to request an absentee ballot. This law expired once World War II ended and the law never actually was in effect.

In 1955, Congress passed the Federal Voting Assistance Act which recommended, but did not guarantee, absentee registration and voting for members of the military, federal employees who lived outside the U.S. and members of civilian service organization affiliated with the armed forces.

Federal law was again amended in 1968 to include a more general provision for U.S. citizens temporarily residing outside the U.S. Seven years later,



the Overseas Citizens Voting Rights Act of 1975 guaranteed absentee registration and voting rights for citizens outside the U.S., whether or not they maintained a U.S. residence.

In 1986, President Reagan signed the Uniformed and Overseas Citizens Voting Act which required States to permit absent uniformed services voters, their spouses and dependents, and overseas voters who no longer maintain a residence in the U.S. to register absentee and vote by absentee ballot in all elections for federal office.

Federal law failed our military men and women in the last election, because many of these military voters were disenfranchised by canvassing boards throughout the State of Florida. My bill fixes federal law to prevent discrimination against military voters stationed overseas.

It was a disgrace to our military men and women the events in Florida last fall. 1,500 overseas ballots were thrown out by Florida election officials initially—1,500 ballots were challenged—that is disturbing.

Brave members of our armed forces spoke out in favor of having their vote counted. In Tallahassee, FL, in November of 2000, Robert Ingram, who was awarded a medal for heroism as a Navy corpsman serving with the Marines in Vietnam, said about Florida elections boards, "They need to count the votes for service people abroad." It truly is an outrage that the state of Florida allowed military ballots to be disqualified.

Morale is traditionally low for our servicemen and women stationed overseas during the Christmas season. Gary Littrell a Medal of Honor winner said, "Can you imagine how low their moral will go when we tell them their vote didn't count?" According to the Miami Herald of November 26, 2000, "Many canvassing boards have said, however they followed state law to the letter in disqualifying overseas ballots with no signature, no witness, incorrect address, no postmark or date and a variety of other problems."

Note that the Miami Herald does not cite actual fraud to disqualify 1,500 votes, mere technicalities in state law. My bill will fix this problem and not allow a ballot to be disqualified without "evidence of fraud."

There were allegations that the Democrat party had a coordinated effort to disenfranchise our military voters. Former Montana Governor Mark Racicot said last fall, "In an effort to win at any cost, the vice president's lawyers launched a statewide effort to throw out as many military ballots as they can." 40 percent of the 3,500 overseas ballots in Florida were thrown out in November of 2000 for technical reasons—that is 40 percent too much.

According to the Miami Herald, 39 felons illegally cast absentee ballots in Broward and Miami Dade counties during the election, yet 1,500 military men and women had their votes challenged. These felons convictions ranged from

murder to rape and drunk driving. What crime did our military personnel commit? Is it a crime for the members of the military who chose to vote Republican? Is it a crime to volunteer to serve in the military? I guess every vote must count except for our military votes.

Military ballots in Florida were disqualified for two reasons—the requirement that ballots must be postmarked by election day and failure to either have a proper signature or date on the actual ballot. Neither of these issues are currently addressed in the federal law. Federal law leaves such details to the state, such as postmark requirements and authentication of ballots.

I have a bill to amend the Voting Rights Act of 1965 to include members of the armed forces who were targeted as a result of their propensity to vote for Republicans.

My bill establishes voting rights for members of the armed forces to insure that every military vote is counted. My bill makes it a violation of the Voting Rights Act of 1965 for any person "to disqualify, refuse to count, or otherwise negate the absentee or overseas vote of a member of the Armed Forces of the United States."

A person could not disqualify a ballot because of "circumstances beyond the control of the serviceman," this definition includes a post mark that may not be present on a military person's ballot. The military frequently mail without postage and there is no necessity for a post mark on military mail, therefore there is no evidence on the face of an envelope to prove when a letter, or ballot in this case, is mailed.

My bill further forbids the disqualification of any ballot without "clear and convincing evidence of fraud in the preparation or casting of the ballot by the voter" deadlines for returning ballots vary by state.

If you violate or conspire to violate the Armed Forces Voting Rights Act of 2001, then you are treated similarly to individuals who violate the Voting Rights Act of 1965—you are subject to fines and other criminal penalties. My bill also empowers the Attorney General to make rules consistent with this legislation.

I ask that voting rights be restored to our military voters—it is the least that we can do for those who put their lives on the line so we may live free, to allow our military men and women to have every vote counted.

By Mr. WELLSTONE (for himself, Mrs. MURRAY, Mr. DAYTON, Ms. STABENOW, Mr. DORGAN, Mr. KENNEDY, Mr. DURBIN, Ms. LANDRIEU, Mr. DASCHLE, Mr. REID, and Mr. JOHNSON):

S. 739. A bill to amend title 38, United States Code, to improve programs for homeless veterans, and for other purposes; to the Committee on Veterans' Affairs.

Mr. WELLSTONE. Mr. President, I rise today to introduce the "Heather

French Henry Homeless Veterans Assistance Act." It is a companion bill to H.R. 936, introduced in the House of Representatives by Representative EVANS. I am pleased to have the support of the following original cosponsors: Senators MURRAY, DAYTON, STABENOW, DORGAN, KENNEDY, DURBIN, LANDRIEU, DASCHLE, REID, and JOHNSON.

The legislation is named to recognize and honor the outstanding contributions of Heather French Henry, Miss America 2000. She has helped lead the struggle to end homelessness affecting more than 300,000 of our nation's veterans. For more than a year, she has given her time, talents and energy to call on Americans to do more to free those who have served our country from homelessness. She has traveled from coast-to-coast with the message that we as a nation are duty-bound to assist homeless veterans again to become productive and contributing members of society.

I recently met Ms. French Henry. I appreciate her work, as well as her support for this bill. She has called it, "a comprehensive package of proposals that will lead to ending homelessness among our nation's veterans so that they can once again be proud citizens."

The bill establishes a national goal of ending homelessness among veterans within a decade. We can and must meet this goal, but achieving it will not be easy. According to the "Independent Budget" for Fiscal Year 2002, more than 275,000 veterans are homeless on any given night. The Independent Budget is a highly regarded analysis issued by four respected veterans organizations, AMVETS, Disabled American Veterans, Paralyzed Veterans of America, and Veterans of Foreign Wars. The Independent Budget also found that, "one out of three homeless males . . . sleeping in a doorway, alley or box in our cities and rural communities has put on a uniform and served our nation." Finally, it stressed that two-thirds of homeless veterans served our nation for at least three years. The vast majority of homeless veterans fully honored their oath to defend and protect the United States. Unfortunately, we haven't fully honored our obligation to rescue them from the degradation and privations of life on the streets.

The causes of homelessness are complex. But the primary reason so many veterans are homeless is simple. We have not done enough. Since 1987, the VA has run some worthwhile and effective programs for homeless veterans, but they are too few, and they are too poorly funded. In FY 2000, the VA spent about \$150 million for homeless programs, just \$1.31 per homeless veteran per day. According to the Independent Budget, federal funding for homeless veterans serves just one in 10 of those in need.

The VA has reported that there were about 345,000 homeless veterans during 1999. That is 34 percent higher than in

1998, a national scandal during a time of prosperity. If we fail to pass this bill, imagine how many more homeless veterans will be sleeping in doorways, in boxes and on grates in the cold? Who will care for these veterans if we have a prolonged economic downturn?

Three ideas should be kept in mind regarding the bill. First, it does not give homeless veterans a handout. It gives them a hand-up, a hand-up they need to help restore dignity and self-worth. Second, ending veterans homelessness is first and foremost a moral issue. What kind of nation can fail to use the full arsenal of programs and tools available to end pain and suffering among men and women who have served so much and so well? Finally, homelessness among veterans is often tied to those veterans' military service. It is frequently no less service-connected than the loss of limb in battle. Post-Traumatic Stress Disorder, PTSD, can afflict any combat veteran. It not only can cause severe mental health problems, but is also linked to job loss, family breakdown, substance abuse and, of course, homelessness.

The VA can't solve the problem of homelessness among veterans by itself. That is why the bill creates a coordinated and cooperative effort among the VA and other federal, state and local agencies, as well as by community-based organizations.

The legislation includes both proven programs and innovations. It expands programs that have superior track records in assisting homeless veterans. It will increase to \$50 million the annual authorization for the Department of Labor's Homeless Veterans Reintegration Project (HVRP). HVRP funds state or local governments, as well as nonprofit organizations, which run highly effective job training and placement programs. It is an exceptional program that has gone underfunded for years. In FY 1999, HVRP placed almost 2,200 homeless veterans in jobs, with an average cost per placement of only about \$1,300.

Mental health professionals agree that placement in the community can work, but only with careful monitoring and support of vulnerable populations. The bill therefore also creates incentives for VA to make such services, Mental Health Community Management programs, more widely available.

Supportive, therapeutic housing is an essential component of a homeless veteran's recovery from substance abuse. "Safe havens" provide an environment that facilitates the transition from homelessness. Under the bill, many more veterans could receive intensive medical and psychological treatment, as well as rehabilitation, in such residential settings.

More VA Comprehensive Homeless Centers must be made available in the country's major metropolitan areas. These unique centers provide a continuum of care that includes outreach, medical care, compensated work therapy, job counseling and other social

services. Homeless veterans not only can gain access to VA services, but also to services provided by other federal agencies, state and local government entities, and community-based organizations. The centers provide badly needed "one-stop shopping" for services to homeless veterans.

The legislation will increase availability of residential treatment facilities by requiring the VA to develop new domiciliary programs in the 10 largest metropolitan areas without existing programs. At the same time, it will remove the cap on VA Comprehensive Homeless Centers. Today there are only eight, and the bill will require that centers be available in no fewer than 20 metropolitan areas. Veterans in Washington, D.C., for example, currently have neither a VA domiciliary nor a Comprehensive Homeless Center. Both such facilities are needed here in the Nation's Capital.

Community-based organizations play a pivotal role in addressing veterans' homelessness. The bill authorizes additional funding for their work through the VA's Homeless Grant and Per Diem Providers program. That program provides critical support to community-based organizations who furnish transitional services to homeless veterans through grants that supplement local, state and private funding.

The bill also requires that the VA provide mental health services wherever it provides primary care. Approximately 45 percent of homeless veterans suffer from mental illness. More than 70 percent suffer from alcohol or other substance abuse problems. It is vital that VA expand access to mental health services.

Finally, the bill seeks to help some of the most vulnerable homeless veterans and those most at risk of homelessness. Under the bill, VA and community-based providers will be eligible for a new grant program that addresses the special needs of homeless veterans who are women, substance abusers, 50 years of age or older, persons with PTSD, terminally ill, chronically mentally ill or who have dependents. It will require VA to coordinate a multi-agency outreach plan and a program for veterans at risk of homelessness, particularly veterans being discharged from institutions. This includes people discharged from inpatient psychiatric care, substance abuse treatment programs and penal institutions.

It is a familiar principle among veterans of our armed forces not to "leave our wounded behind." Yet, homeless veterans are in a sense our wounded, and we are leaving them behind. It is past time to end this neglect.

The bill is supported by the country's major veterans organizations. It is endorsed by the National Coalition for Homeless Veterans and its hundreds of affiliated organizations throughout the country who daily furnish essential services to homeless veterans. I ask consent that letters of support from the Paralyzed Veterans of America, the

Veterans of Foreign Wars, the Disabled American Veterans, and the National Coalition for Homeless Veterans be printed in the RECORD.

Mr. President, I also ask unanimous consent that the text of the bill be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 739

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

#### SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the "Heather French Henry Homeless Veterans Assistance Act".

(b) TABLE OF CONTENTS.—The table of contents for this Act is as follows:

- Sec. 1. Short title; table of contents.
- Sec. 2. Findings; definitions.
- Sec. 3. National goal to end homelessness among veterans.
- Sec. 4. Advisory Committee on Homeless Veterans.
- Sec. 5. Annual meeting requirement for Interagency Council on the Homeless.
- Sec. 6. Evaluation of homeless programs.
- Sec. 7. Changes in veterans equitable resource allocation methodology.
- Sec. 8. Per diem payments for furnishing services to homeless veterans.
- Sec. 9. Grant program for homeless veterans with special needs.
- Sec. 10. Coordination of outreach services for veterans at risk of homelessness.
- Sec. 11. Treatment trials in integrated mental health services delivery.
- Sec. 12. Dental care.
- Sec. 13. Programmatic expansions.
- Sec. 14. Various authorities.
- Sec. 15. Life safety code for grant and per diem providers.
- Sec. 16. Transitional assistance grants pilot program.
- Sec. 17. Assistance for grant applications.
- Sec. 18. Home loan program for manufactured housing.
- Sec. 19. Extension of homeless veterans reintegration program.
- Sec. 20. Use of real property.

#### SEC. 2. FINDINGS; DEFINITIONS.

(a) FINDINGS.—Congress makes the following findings:

(1) On the field of battle, the members of the Armed Forces who defend the Nation are honor-bound to leave no one behind and, likewise, the Nation is honor-bound to leave no veteran behind.

(2) The Department of Veterans Affairs report known as the Community Homeless Assessment, Local Education, and Networking Groups for Veterans (CHALENG) assessment, issued in May 2000, reports that during 1999 there were an estimated 344,983 homeless veterans, an increase of 34 percent above the 1998 estimate of 256,872 homeless veterans.

(3) Male veterans are more likely to be homeless than their nonveteran peers. Although veterans constitute only 13 percent of the general male population, 23 percent of the homeless male population are veterans.

(4) Homelessness among veterans is persistent despite unprecedented economic growth and job creation and general prosperity.

(5) While there are many effective programs that assist homeless veterans to again become productive and self-sufficient members of society, current resources provided to such programs and other activities that assist homeless veterans are inadequate to provide all needed essential services, assistance, and support to homeless veterans.

(6) If current programs to assist homeless veterans are fully maintained but not expanded, veterans will experience as many as a billion nights of homelessness during the next decade.

(7) The CHALENG assessment referred to in paragraph (2) reports—

(A) that Department of Veterans Affairs and community providers were responsible for establishing almost 500 beds for homeless veterans during 2000, including emergency, transitional, and permanent beds; and

(B) that there is a need for about 45,724 additional beds to meet current needs of homeless veterans.

(8) As of February 28, 2001, the Congressional Budget Office forecasts a Federal budget surplus of \$313,000,000,000 for fiscal year 2002 and budget surpluses totaling more than \$5,610,000,000,000 over the next 10 years.

(9) At least \$750,000,000 will be required to establish the 45,724 additional new beds now needed by homeless veterans, according to an informal Department of Veterans Affairs cost estimate.

(10) Even if the Department of Veterans Affairs and its partners created 2,000 additional beds per year for homeless veterans (roughly quadrupling the number of such beds they currently plan to open annually), it would still take more than two decades to provide the necessary additional beds to meet the current needs of homeless veterans.

(11) Nearly four decades ago, the Nation established a goal of sending a man to the moon and returning him safely to earth within a decade and accomplished that goal, and the Nation can do no less to end homelessness among the Nation's veterans.

(b) DEFINITIONS.—For purposes of this Act: (1) The term “homeless veteran” means a veteran who—

(A) lacks a fixed, regular, and adequate nighttime residence; or

(B) has a primary nighttime residence that is—

(i) a supervised publicly or privately operated shelter designed to provide temporary living accommodations (including welfare hotels, congregate shelters, grant per diem shelters and transitional housing for the mentally ill);

(ii) an institution that provides a temporary residence for individuals intended to be institutionalized; or

(iii) a public or private place not designed for, or ordinarily used as, a regular sleeping accommodation for human beings.

(2) The term “grant and per diem provider” means an entity in receipt of a grant under section 3 or 4 of the Homeless Veterans Comprehensive Service Programs Act of 1992 (38 U.S.C. 7721 note).

### SEC. 3. NATIONAL GOAL TO END HOMELESSNESS AMONG VETERANS.

(a) NATIONAL GOAL.—Congress hereby declares it to be a national goal to end homelessness among veterans within a decade.

(b) COOPERATIVE EFFORTS ENCOURAGED.—Congress hereby encourages all departments and agencies of Federal, State, and local governments, quasi-governmental organizations, private and public sector entities, including community-based organizations, and individuals to work cooperatively to end homelessness among veterans within a decade.

### SEC. 4. ADVISORY COMMITTEE ON HOMELESS VETERANS.

(a) IN GENERAL.—Chapter 5 of title 38, United States Code, is amended by adding at the end the following new section:

#### “§ 546. Advisory Committee on Homeless Veterans

“(a)(1) There is established in the Department the Advisory Committee on Homeless Veterans (hereinafter in this section referred to as the ‘Committee’).

“(2) The Committee shall consist of not more than 15 members appointed by the Secretary from among the following:

“(A) Veterans service organizations.

“(B) Advocates of homeless veterans and other homeless individuals.

“(C) Community-based providers of services to homeless individuals.

“(D) Previously homeless veterans.

“(E) State veterans affairs officials.

“(F) Experts in the treatment of individuals with mental illness.

“(G) Experts in the treatment of substance use disorders.

“(H) Experts in the development of permanent housing alternatives for lower income populations.

“(I) Experts in vocational rehabilitation.

“(J) Such other organizations or groups as the Secretary considers appropriate.

“(3) The Committee shall include, as ex officio members—

“(A) the Secretary of Labor (or a representative of the Secretary selected after consultation with the Assistant Secretary of Labor for Veterans’ Employment and Training);

“(B) the Secretary of Defense (or a representative of the Secretary);

“(C) the Secretary of Health and Human Services (or a representative of the Secretary); and

“(D) the Secretary of Housing and Urban Development (or a representative of the Secretary).

“(4) The Secretary shall determine the terms of service and pay and allowances of the members of the Committee, except that a term of service may not exceed three years. The Secretary may reappoint any member for additional terms of service.

“(b)(1) The Secretary shall, on a regular basis, consult with and seek the advice of the Committee with respect to the provision by the Department of benefits and services to homeless veterans.

“(2)(A) In providing advice to the Secretary under this subsection, the Committee shall—

“(i) assemble and review information relating to the needs of homeless veterans;

“(ii) provide an on-going assessment of the effectiveness of the policies, organizational structures, and services of the Department in assisting homeless veterans; and

“(iii) provide on-going advice on the most appropriate means of providing assistance to homeless veterans.

“(3) The Committee shall—

“(A) review the continuum of services provided by the Department directly or by contract in order to define cross-cutting issues and to improve coordination of all services in the Department that address the special needs of homeless veterans;

“(B) identify (through the annual assessments under section 1774 of this title and other available resources) gaps in programs of the Department in serving homeless veterans, including identification of geographic areas with unmet needs, and provide recommendations to address those program gaps;

“(C) identify gaps in existing information systems on homeless veterans, both within and outside the Department, and provide recommendations about redressing problems in data collection;

“(D) identify barriers under existing laws and policies to effective coordination by the Department with other Federal agencies and with State and local agencies addressing homeless populations;

“(E) identify opportunities for enhanced liaison by the Department with nongovernmental organizations and individual groups addressing homeless populations;

“(F) with appropriate officials of the Department designated by the Secretary, participate with the Interagency Council on the Homeless under title II of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11311 et seq.);

“(G) recommend appropriate funding levels for specialized programs for homeless veterans provided or funded by the Department;

“(H) recommend appropriate placement options for veterans who, because of advanced age, frailty, or severe mental illness, may not be appropriate candidates for vocational rehabilitation or independent living; and

“(I) perform such other functions as the Secretary may direct.

“(c)(1) Not later than March 31 of each year, the Committee shall submit to the Secretary a report on the programs and activities of the Department that relate to homeless veterans. Each such report shall include—

“(A) an assessment of the needs of homeless veterans;

“(B) a review of the programs and activities of the Department designed to meet such needs;

“(C) a review of the activities of the Committee; and

“(D) such recommendations (including recommendations for administrative and legislative action) as the Committee considers appropriate.

“(2) Not later than 90 days after the receipt of a report under paragraph (1), the Secretary shall transmit to the Committees on Veterans’ Affairs of the Senate and House of Representatives a copy of the report, together with any comments and recommendations concerning the report that the Secretary considers appropriate.

“(3) The Committee may also submit to the Secretary such other reports and recommendations as the Committee considers appropriate.

“(4) The Secretary shall submit with each annual report submitted to Congress pursuant to section 529 of this title a summary of all reports and recommendations of the Committee submitted to the Secretary since the previous annual report of the Secretary submitted pursuant to that section.

“(d)(1) Except as provided in paragraph (2), the provisions of the Federal Advisory Committee Act (5 U.S.C. App.) shall apply to the activities of the Committee under this section.

“(2) Section 14 of such Act shall not apply to the Committee.”.

(b) CLERICAL AMENDMENT.—The table of sections at the beginning of such chapter is amended by adding at the end the following new item:

“546. Advisory Committee on Homeless Veterans.”.

### SEC. 5. MEETINGS OF INTERAGENCY COUNCIL ON THE HOMELESS.

Section 202(c) of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11312(c)) is amended to read as follows:

“(c) MEETINGS.—The Council shall meet at the call of its Chairperson or a majority of its members, but not less often than annually.”.

### SEC. 6. EVALUATION OF HOMELESS PROGRAMS.

(a) EVALUATION CENTERS.—The Secretary of Veterans Affairs shall support the continuation within the Department of Veterans Affairs of at least one center for evaluation to monitor the structure, process, and outcome of programs of the Department of Veterans Affairs that address homeless veterans.

(b) ANNUAL REPORT ON HEALTH CARE.—The Secretary shall submit to Congress on an annual basis a report on programs of the Department of Veterans Affairs addressing health care needs of homeless veterans. The

Secretary shall include in each such report the following:

(1) Information about expenditures, costs, and workload under the Department of Veterans Affairs program known as the Health Care for Homeless Veterans program (HCHV).

(2) Information about the veterans contacted through that program.

(3) Information about processes under that program.

(4) Information about program treatment outcomes under that program.

(5) Information about supported housing programs.

(6) Information about the Department's grant and per diem provider program.

(7) Other information the Secretary considers relevant in assessing the program.

(c) ANNUAL PROGRAM ASSESSMENT.—Section 1774(b) of title 38, United States Code, is amended—

(1) in paragraph (1), by inserting “annual” after “to make an”; and

(2) by adding at the end the following new paragraph:

“(6) The Secretary shall review each annual assessment under this subsection, and shall consolidate the findings and conclusions of those assessments into an annual report which the Secretary shall submit to Congress.”.

#### SEC. 7. CHANGES IN VETERANS EQUITABLE RESOURCE ALLOCATION METHODOLOGY.

(a) ALLOCATION CATEGORIES.—The Secretary of Veterans Affairs shall assign veterans receiving the following services to the resource allocation category designated as “complex care” within the Veterans Equitable Resource Allocation system:

(1) Care provided to veterans enrolled in the Department of Veterans Affairs program for Mental Health Intensive Community Case Management.

(2) Continuous care in homeless chronically mentally ill veterans programs.

(3) Continuous care within specialized programs provided to veterans who have been diagnosed with both serious chronic mental illness and substance use disorders.

(4) Continuous therapy combined with sheltered housing provided to veterans in specialized treatment for substance use disorders.

(5) Specialized therapies provided to veterans with post-traumatic stress disorders (PTSD), including therapies provided by or under the following:

(A) Specialized outpatient PTSD programs.

(B) PTSD clinical teams.

(C) Women veterans stress disorder treatment teams.

(D) Substance abuse disorder PTSD teams.

(b) TREATMENT OF FUNDS FOR NEW PROGRAMS FOR HOMELESS VETERANS.—The Secretary shall ensure that funds for any new program for homeless veterans carried out through a Department health care facility are designated for the first three years of operation of that program as a special purpose program for which funds are not allocated through the Veterans Equitable Resource Allocation system.

#### SEC. 8. PER DIEM PAYMENTS FOR FURNISHING SERVICES TO HOMELESS VETERANS.

(a) INCREASE IN RATE OF PER DIEM PAYMENTS.—Section 4(a) of the Homeless Veterans Comprehensive Service Programs Act of 1992 (38 U.S.C. 7721 note) is amended by striking “at such rates” and all that follows through “homeless veteran—” and inserting the following: “at the same rates as the rates authorized for State homes for domiciliary care provided under section 1741 of title 38, United States Code, for services furnished to homeless veterans—”.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on

the first day of the first fiscal year beginning after the date of the enactment of this Act.

#### SEC. 9. GRANT PROGRAM FOR HOMELESS VETERANS WITH SPECIAL NEEDS.

(a) ESTABLISHMENT.—The Secretary of Veterans Affairs shall carry out a program to make grants to health care facilities of the Department of Veterans Affairs and to grant and per diem providers in order to encourage development by those facilities and providers of programs targeted at meeting special needs within the population of homeless veterans.

(b) HOMELESS VETERANS WITH SPECIAL NEEDS.—For purposes of this section, homeless veterans with special needs include homeless veterans who—

(1) are women;

(2) are 50 years of age or older;

(3) are substance abusers;

(4) are persons with post-traumatic stress disorder;

(5) are terminally ill;

(6) are chronically mentally ill; or

(7) have care of minor dependents or other family members.

(c) STUDY OF OUTCOME EFFECTIVENESS.—The Secretary shall conduct a study of the effectiveness of the grant program in meeting the needs of homeless veterans. As part of the study, the Secretary shall compare the results of programs carried out in the grant program under this section in terms of veterans' satisfaction, health status, reduction in addiction severity, housing, and encouragement of productive activity with results for similar veterans in programs of the Department or of grant and per diem providers that are designed to meet the general needs of homeless veterans.

(d) FUNDING.—From amounts appropriated to the Department of Veterans Affairs for “Medical Care” for each of fiscal years 2003, 2004, and 2005, \$5,000,000 shall be available for purposes of the program under this section. Grants under this section to a health care facility of the Department or a grant and per diem provider shall be treated in the manner provided in section 7(b).

#### SEC. 10. COORDINATION OF OUTREACH SERVICES FOR VETERANS AT RISK OF HOMELESSNESS.

(a) OUTREACH PLAN.—The Secretary of Veterans Affairs, acting through the Under Secretary for Health, shall provide for appropriate officials of the Mental Health Service and the Readjustment Counseling Service of the Veterans Health Administration to initiate a coordinated plan for joint outreach to veterans at risk of homelessness, including particularly veterans who are being discharged from institutions (including discharges from inpatient psychiatric care, substance abuse treatment programs, and penal institutions).

(b) MATTERS TO BE INCLUDED.—The plan under subsection (a) shall include the following:

(1) Strategies to identify and collaborate with external entities used by veterans who have not traditionally used Department of Veterans Affairs services to further outreach efforts.

(2) Strategies to ensure that mentoring programs, recovery support groups, and other appropriate support networks are optimally available to veterans.

(3) Appropriate programs or referrals to family support programs.

(4) Means to increase access to case management services.

(5) Plans for making additional employment services accessible to veterans.

(6) Appropriate referral sources for mental health and substance abuse services.

(c) COOPERATIVE RELATIONSHIPS.—The plan under subsection (a) shall identify strategies for the Department to enter into formal co-

operative relationships with entities outside the Department of Veterans Affairs to facilitate making services and resources optimally available to veterans.

(d) REVIEW OF PLAN.—The Secretary shall submit the plan under subsection (a) to the Advisory Committee on Homeless Veterans for its review and consultation.

(e) SUBMISSION OF REPORT.—Not later than two years after the date of the enactment of this Act, the Secretary shall submit to the Committees on Veterans' Affairs of the Senate and House of Representatives a report on the Secretary's plan under subsection (a), including goals and timelines for implementation of the plan for particular facilities and service networks.

(f) OUTREACH PROGRAM.—(1) The Secretary shall carry out an outreach program to provide information to homeless veterans and veterans at risk of homelessness. The program shall include at a minimum—

(A) provision of information about benefits available to eligible veterans from the Department; and

(B) contact information for local Department facilities, including medical facilities, regional offices, and veterans centers.

(2) In developing and carrying out the program under paragraph (1), the Secretary shall, to the extent practicable, consult with appropriate public and private organizations, including the Bureau of Prisons, State social service agencies, the Department of Defense, and mental health, veterans, and homeless advocates—

(A) for assistance in identifying and contacting veterans who are homeless or at risk of homelessness;

(B) to coordinate appropriate outreach activities with those organizations; and

(C) to coordinate services provided to veterans with services provided by those organizations.

#### SEC. 11. TREATMENT TRIALS IN INTEGRATED MENTAL HEALTH SERVICES DELIVERY.

(a) ESTABLISHMENT.—The Secretary of Veterans Affairs shall carry out two treatment trials in integrated mental health services delivery. Each such trial shall be carried out at a Department of Veterans Affairs medical center selected by the Secretary for such purpose. The trials shall each be carried out over the same one-year period.

(b) DEFINITION.—For purposes of this section, the term “integrated mental health services delivery” means a coordinated and standardized approach to evaluation between mental health and primary health care professionals for enrollment, treatment, and followup of patients who have both mental health disorders (including substance use disorders) and medical conditions.

(c) SITE SELECTION CRITERIA.—In reviewing applications from Department medical centers for selection as a site for a treatment trial under this section, the Secretary shall consider models that use the following:

(1) Standardized criteria for admission and enrollment as participant or control.

(2) Focus on prevention and symptom reduction.

(3) Development of a comprehensive, integrated treatment plan.

(4) Patient assignment to a team or teams.

(5) Management of polypharmacy.

(6) Use of evidence-based treatment protocols.

(7) Case management between visits.

(8) Referral and coordination of appropriate Department or community-based services (including housing if necessary).

(9) Ability to maintain and provide outcomes for comparison purposes on veterans with similar diagnoses and characteristics who are not included in the trial, but who are receiving traditional consultative services in the same facility.

(d) TREATMENT MODELS TO BE TESTED.—The two treatment trials shall each use one of the following models:

(1) Mental health primary care teams.

(2) Patient assignment to a mental health primary care team that is linked with the patient's medical primary care team.

(e) STUDY OF EFFECTIVENESS.—The Secretary shall compare treatment outcomes (including such outcomes as veterans' satisfaction, health status, treatment compliance, patient functionality, reduction in addiction severity as well as service utilization and treatment costs) of the different treatment trials for chronically mentally ill veterans who are provided treatment through integrated mental health programs with treatment outcomes for similar chronically mentally ill veterans provided treatment through traditionally consultative relationships.

(f) RESULTS.—Not later than 30 months after selection of the two centers under this section, each selected center shall complete measures of treatment outcomes under subsection (e), as well as measures for matched controls.

(g) MANDATORY AUDIT OF RESULTS.—The Department of Veterans Affairs Medical Inspector General shall review medical records of participants and controls for both trials to ensure that results are accurate.

(h) REPORT AND DISSEMINATION OF RESULTS.—Not later than two years after the date of the enactment of this Act, the Secretary shall submit to Congress a report setting forth the results of the comparison under subsection (e) and such recommendations as the Secretary may have. Based upon the Secretary's conclusions, the Secretary shall disseminate the best practices for treatment of mentally ill veterans in such manner as the Secretary determines appropriate on a nationwide basis.

(i) COSTS.—The Secretary may use up to \$2,000,000 from funds available to the Secretary for Medical Care for costs for each of the treatment trials. Funds identified by the Secretary for the trials shall remain available until expended.

#### SEC. 12. DENTAL CARE.

(a) IN GENERAL.—For purposes of section 1712(a)(1)(H) of title 38, United States Code, outpatient dental services and treatment of a dental condition or disability of a veteran described in subsection (b) shall be considered to be medically necessary if—

(1) the dental services and treatment are necessary for the veteran to successfully gain or regain employment;

(2) the dental services and treatment are necessary to alleviate pain; or

(3) the dental services and treatment are necessary for treatment of moderate, severe, or severe and complicated gingival and periodontal pathology.

(b) ELIGIBLE VETERANS.—Subsection (a) applies to a veteran who is—

(1) enrolled for care under section 1705(a) of title 38, United States Code; and

(2) receiving care (directly or by contract) in any of the following settings:

(A) A domiciliary under section 1710 of such title.

(B) A therapeutic residence under section 1772 of such title.

(C) Community residential care coordinated by the Secretary of Veterans Affairs under section 1730 of such title.

(D) A setting for which the Secretary provides funds for a grant and per diem provider.

(E) Any program described in section 7 of this Act.

#### SEC. 13. PROGRAMMATIC EXPANSIONS.

(a) ACCESS TO MENTAL HEALTH SERVICES.—The Secretary of Veterans Affairs shall de-

velop standards to ensure that mental health services are available to veterans in a manner similar to the manner in which primary care is available to veterans who require services by ensuring that each primary care health care facility of the Department has a mental health treatment capacity.

(b) TRANSITIONAL HOUSING.—Effective October 1, 2001, section 12 of the Homeless Veterans Comprehensive Service Programs Act of 1992 (38 U.S.C. 7721 note) is amended to read as follows:

#### “SEC. 12. FUNDING.

“(a) AMOUNTS FOR GRANT AND PER DIEM PROGRAMS.—From amounts appropriated for ‘Medical Care’ for any fiscal year, the Secretary shall expend not less than \$55,000,000 (as adjusted from time to time under subsection (b)) to carry out the transitional housing grant and per diem provider programs under sections 3 and 4 of this Act.

“(b) PERIODIC INCREASES.—The amount in effect under subsection (a) shall be increased for any fiscal year by the overall percentage increase in the Medical Care account for that fiscal year from the preceding fiscal year.”.

(c) COMPREHENSIVE HOMELESS SERVICES PROGRAM.—(1) The Secretary shall provide for the establishment of centers for the provision of comprehensive services to homeless veterans under section 1773(b) of title 38, United States Code, in at least each of the 20 largest metropolitan statistical areas.

(2) Section 1773(b) of title 38, United States Code, is amended by striking “not fewer than eight”.

(d) OPIOID SUBSTITUTION THERAPY.—The Secretary shall ensure that opioid substitution therapy is available at each Department of Veterans Affairs medical center.

(e) PROGRAM EXPIRATION EXTENSION.—Sections 1771(b) and 1773(d) of title 38, United States Code, are amended by striking “December 31, 2001” and inserting “December 31, 2006”.

#### SEC. 14. VARIOUS AUTHORITIES.

(a) EMPLOYMENT PROGRAMS.—The Secretary of Veterans Affairs may authorize homeless veterans receiving care through vocational rehabilitation programs to participate in the compensated work therapy program.

(b) SUPPORTED HOUSING FOR VETERANS PARTICIPATING IN COMPENSATED WORK THERAPIES.—The Secretary may authorize homeless veterans in the compensated work therapy program to be provided housing through the therapeutic residence program under section 1772 of title 38, United States Code, or through grant and per diem providers.

(c) STAFFING REQUIREMENT.—The Secretary shall ensure that there is assigned at each Veterans Benefits Administration regional office at least one employee assigned specifically to oversee and coordinate homeless veterans programs in that region, including the housing program for veterans supported by the Department of Housing and Urban Development, housing programs supported by the Department of Veterans Affairs, the homeless veterans reintegration program of the Department of Labor, the assessments required by section 1774 of title 38, United States Code, Comprehensive Homeless Centers, and such other duties relating to homeless veterans as may be assigned. In any such regional office with at least 140 employees, there shall be at least one full-time employee assigned to such functions.

(d) COORDINATION OF EMPLOYMENT SERVICES.—(1) Section 4103A(c) of title 38, United States Code, is amended by adding at the end the following new paragraph:

“(11) Coordination of services provided to veterans with training assistance provided to veterans by entities receiving financial assistance under section 738 of the McKinney-

Vento Homeless Assistance Act (42 U.S.C. 11448).”.

(2) Section 4104(b) of such title is amended—

(A) by striking “and” at the end of paragraph (11);

(B) by striking the period at the end of paragraph (12) and inserting “; and”; and

(C) by adding at the end the following new paragraph:

“(13) coordinate services provided to veterans with training assistance for veterans provided by entities receiving financial assistance under section 738 of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11448).”.

#### SEC. 15. LIFE SAFETY CODE FOR GRANT AND PER DIEM PROVIDERS.

(a) NEW GRANTS.—Section 3(b)(5) of the Homeless Veterans Comprehensive Service Programs Act of 1992 (38 U.S.C. 7721 note) is amended by striking “, but fire and safety” and all that follows through “in carrying out the grant” and inserting “and the fire and safety requirements applicable under the Life Safety Code of the National Fire Protection Association”.

(b) PREVIOUS GRANTEEES.—Section 4 of such Act is amended by adding at the end the following new subsection:

“(e) LIFE SAFETY CODE.—(1) Except as provided in paragraph (2), a per diem payment (or in-kind assistance in lieu of per diem payments) may not be provided under this section to a grant recipient unless the facilities of the grant recipient meet the fire and safety requirements applicable under the Life Safety Code of the National Fire Protection Association.

“(2) During the five-year period beginning on the date of the enactment of the Heather French Henry Homeless Veterans Assistance Act, paragraph (1) shall not apply to an entity that received a grant under section 3 before that date if the entity meets fire and safety requirements established by the Secretary.

“(3) From amounts available for purposes of this section pursuant to section 12, not less than \$5,000,000 shall be used only for grants to assist entities covered by paragraph (2) in meeting the Life Safety Code of the National Fire Protection Association.”.

#### SEC. 16. TRANSITIONAL ASSISTANCE GRANTS PILOT PROGRAM.

(a) ESTABLISHMENT OF PROGRAM.—The Secretary of Veterans Affairs shall carry out a three-year pilot program of transitional assistance grants to eligible homeless veterans. The pilot program shall be established at not less than three nor more than six regional offices of the Department of Veterans Affairs and shall include at least one regional office located in a large urban area and at least one regional office serving primarily rural veterans. The maximum number of veterans who may participate in the pilot program is 600.

(b) ELIGIBLE VETERANS.—A veteran is eligible for a transitional assistance grant under this section if the veteran is physically present in the geographic area of a regional office which is participating in the pilot program and the veteran—

(1) is a veteran of a period of war or, if not a veteran of a period of war, meets the minimum service requirements specified in section 5303A of title 38, United States Code;

(2) is being released, or within the preceding 60 days was released, from an institution, including a hospital, a penal institution, a homeless shelter, or a facility of a grant and per diem provider;

(3) is a homeless veteran or was a homeless veteran before institutionalization; and

(4) had less than marginal income for the preceding three months.

(c) DURATION OF GRANT ASSISTANCE.—An eligible veteran may be provided a transitional assistance grant under this section for no more than three months.

(d) EXCEPTION TO LIMITATION ON GRANT ASSISTANCE.—(1) A veteran who receives transitional assistance under this section and who while in receipt of such assistance has a claim pending with the Secretary for service-connected disability compensation or nonservice-connected pension shall, notwithstanding subsection (c), continue to be provided transitional assistance under this section after the period prescribed in subsection (c) until the earlier of (A) the date on which a decision on the claim is made by the regional office, or (B) the end of the six-month period beginning on the date of expiration of eligibility under subsection (c).

(2) An extension of transitional assistance under paragraph (1) shall be terminated if, as determined by the Secretary, the veteran, without good cause, fails to cooperate in establishing the pending claim or if the gross monthly income of the veteran for a month exceeds twice the amount of transitional assistance benefits payable to the veteran for that month. The effective date of such a termination shall be the last day of the month following the month in which the extension under paragraph (1) is terminated under the preceding sentence.

(3) Claims of veterans receiving benefits under this subsection shall receive expedited consideration by the regional office.

(e) AMOUNT OF GRANT.—(1) The monthly amount of a grant provided under this section to an eligible veteran shall be the amount of monthly pension that would be payable to that veteran under chapter 15 of title 38, United States Code, if the veteran had a permanent and total nonservice-connected disability.

(2) Once eligibility for a grant under this section has been established, the amount of the grant shall be determined without regard to the veteran's income, other than as provided in subsection (d)(2).

(f) COORDINATION WITH OTHER BENEFITS.—If retroactive benefits from the Department of Veterans Affairs are payable to a veteran with respect to a month for which the veteran received a transitional assistance grant under this section, the amount of such retroactive benefit payable for such month shall be reduced (but not below zero) by the amount of the grant under this section paid for that month. No reduction may be made by the Secretary from an amount otherwise due a veteran for any other month to offset an amount paid under this section for a previous month.

(g) DEFINITIONS.—For purposes of this section:

(1) The term "veteran" means a person who served in the active military, naval, or air service (as defined in section 101 of title 38, United States Code) and who was discharged or released from any such period of service under conditions other than dishonorable.

(2) The term "marginal income", with respect to a veteran, means income below the poverty standard (as determined by the Bureau of the Census) for a family of the size of the veteran's family.

#### SEC. 17. ASSISTANCE FOR GRANT APPLICATIONS.

(a) GRANT PROGRAM.—The Secretary of Veterans Affairs shall carry out a program to make technical assistance grants to non-profit community-based groups with experience in providing assistance to homeless veterans in order to assist such groups in applying for grants relating to addressing problems of homeless veterans.

(b) FUNDING.—There is authorized to be appropriated to the Secretary of Veterans Af-

fairs for each of fiscal years 2002 through 2006, \$750,000 to carry out the program under this section.

#### SEC. 18. HOME LOAN PROGRAM FOR MANUFACTURED HOUSING.

Section 3712(a)(1) of title 38, United States Code, is amended by adding at the end the following:

"With respect to a veteran who, as determined by the Secretary, is homeless, the Secretary may waive any otherwise applicable requirement under this chapter that a purchase of a manufactured home include ownership or purchase of a lot by the veteran to which the home is to be permanently affixed."

#### SEC. 19. EXTENSION OF HOMELESS VETERANS REINTEGRATION PROGRAM.

Section 4111(d)(1) of title 38, United States Code, is amended by striking subparagraphs (C) and (D) and inserting the following:

- "(C) \$50,000,000 for fiscal year 2002.
- "(D) \$50,000,000 for fiscal year 2003.
- "(E) \$50,000,000 for fiscal year 2004.
- "(F) \$50,000,000 for fiscal year 2005.
- "(G) \$50,000,000 for fiscal year 2006."

#### SEC. 20. USE OF REAL PROPERTY.

Section 8122(d) of title 38, United States Code, is amended by inserting before the period at the end the following: "and is not suitable for use for the provision of services to homeless veterans by the Department or by another entity under an enhanced-use lease of such property under section 8162 of this title".

DISABLED AMERICAN VETERANS,  
Washington, DC, March 12, 2001.

Hon. PAUL D. WELLSTONE,  
U.S. Senate, Senate Hart Office Building,  
Washington, DC.

DEAR SENATOR WELLSTONE: On behalf of the more than one million members of the Disabled American Veterans (DAV), I urge you to co-sponsor and actively support the Heather French Henry Homeless Veterans Assistance Act soon to be introduced by Senator Paul Wellstone (D-MN).

This important legislation is aimed at ending homelessness among veterans by encouraging alliances between federal, state, and local governments, and private and public sector entities to address the homeless issue and by providing necessary resources to combat homelessness. Veterans who are homeless deserve a better deal than they are currently receiving from our government. This bill is an important key to ending this national shame.

As an organization committed to service, one of the DAV's top priorities is to help America's homeless veterans break the cycle of poverty and isolation, and move from the streets to self-sufficiency. Like any other problem, we can choose whether we will allow former defenders of our nation to be defeated by the tragedy of homelessness. Or we can decide to do something about it, to combine our efforts and strengthen our ability to assist these veterans. "We Don't Leave our Wounded Behind" is more than a clever slogan. It is a principle, a rule, and a promise we need to keep. This is the time to tap our hidden resources and strengths.

I encourage you to co-sponsor and support this important legislation. I appreciate your prompt attention to this matter when Senator Wellstone calls upon you to co-sponsor this legislation.

Sincerely,

ARMANDO C. ALBARRAN,  
National Commander.

NATIONAL COALITION FOR  
HOMELESS VETERANS,  
Washington, DC, March 12, 2001.  
SUPPORT STATEMENT

As the first Miss America of the new millennium Heather French Henry chose to do so as a bold spokesperson and advocate for our nation's homeless veterans. She dedicated, not just a year of service, but also her life to creating unprecedented awareness surrounding this issue.

No single individual or group of individuals has been able to bring the homeless veteran issue to the national forefront like Heather French Henry. From the halls of Congress, to homeless shelters, and to communities across America, Heather has mobilized individuals to become involved on a single goal, ending homelessness among America's veterans.

Her sincere dedication and can do attitude has touched hundreds of lives literally and figuratively, as she has spoken out to advocate for our nation's veterans.

The National Coalition for Homeless Veterans sincerely appreciates Heather French Henry's continued commitment to this issue, after the glow of the crown has started to fade.

We also commend the commitment Senator Paul Wellstone has made for many years on the homeless veteran issue. He has been a consistent, outspoken leader in developing and implementing public laws that have brought more Federal resources into community organizations serving homeless veterans.

Senator Wellstone's introduction of the "Heather French Henry Homeless Veteran Assistance Act", a companion to the (H.R. 936) bill introduced in the House by representative Lane Evans (D-IL), is timely because it takes advantage of the unique information collection that was done by Ms. Henry during her travels and visits with veterans and communities, and applies it in the solutions outlined in the bill.

Our expectation is this bill will become the platform to address homeless veteran issues in the 107th Congress and we look forward to a continued active relationship with Ms. Henry and Senator Wellstone towards the goal of ending homelessness among our nation's veterans.

VETERANS OF FOREIGN WARS  
OF THE UNITED STATES,  
Washington, DC, March 7, 2001.

Hon. PAUL WELLSTONE,  
U.S. Senate,  
Washington, DC.

DEAR SENATOR WELLSTONE: On behalf of the Veterans of Foreign Wars of the United States, I would like to take this opportunity to express our enthusiastic support of the Heather French Henry Homeless Veterans Assistance Act.

With at least 275,000 veterans homeless on any given night and more than 500,000 veterans homeless at some point during the year, the obvious need for assistance and community-based intervention is of paramount importance. Your bill recognizes the need to expand existing programs, incorporate new partnerships, and provide short-term assistance to the men and women who have served our nation in uniform. It genuinely embraces our shared goal of ending homelessness among our nation's veterans.

Through your legislative efforts we can work together to remedy this American tragedy.

Thank you for your service to America's veterans and please do not hesitate to contact me if I can be of further assistance.

Sincerely,

ROBERT E. WALLACE,  
Executive Director.



PARALYZED VETERANS OF AMERICA,  
Washington, DC, March 13, 2001.

Hon. PAUL WELLSTONE,  
Hart Senate Office Building,  
U.S. Senate, Washington, DC.

DEAR SENATOR WELLSTONE: On behalf of the members of the Paralyzed Veterans of America (PVA) I am writing to thank you for your support of the many veterans who face the trauma of homelessness. We applaud your planned introduction of the "Heather French Henry Homeless Veterans Assistance Act" to help correct this horrible testament to one of the ongoing ravages of war.

As you are aware, on any given night, an estimated 250,000 homeless veterans sleep in cardboard boxes, in alleys or on subway grates. Many of these individuals suffer from Post-Traumatic Stress Disorder and other illnesses that prevent them from getting and keeping employment, often a precursor to homelessness. We thank former Miss America Heather French Henry for making "help for homeless veterans" her platform and committing herself to insuring these veterans are not forgotten.

Homelessness does not have an easy fix. Only through dedicated efforts can it be reduced. Our veterans deserve those efforts. PVA wholeheartedly supports your proposed legislation. From sensible calculations of per diems to an increased focus on women and special needs veterans, this legislation will apply new approaches to caring for our veterans.

We all have a moral obligation to provide care to those veterans who are most vulnerable. Homelessness can be reduced, and Senator Wellstone, your legislation will mark a big step in the right direction.

Sincerely,

JOSEPH L. FOX, SR.,  
National President.

By Mr. GRASSLEY (for himself,  
Mr. BAUCUS, Mr. GRAHAM, Mr.  
HATCH, Mr. BREAUX, Mr. MUR-  
KOWSKI, Mr. KERRY, Mr. JEF-  
FORDS, Mr. TORRICELLI, Mr.  
KYL, Mrs. LINCOLN, Mr. HUTCH-  
INSON, Mr. JOHNSON, Mr. HAGEL,  
Mr. DURBIN, Mr. GREGG, Mr.  
SCHUMER, Mrs. HUTCHISON, Mr.  
BAYH, Mr. CHAFEE, and Mr.  
REID):

S. 742. A bill to provide for pension reform, and for other purposes; to the Committee on Finance.

Mr. GRASSLEY. Mr. President, I rise today along with Senators BAUCUS, GRAHAM, HATCH, BREAUX, MURKOWSKI, KERRY, JEFFORDS, TORRICELLI, KYL, LINCOLN, HUTCHINSON, JOHNSON, HAGEL, DURBIN, GREGG, SCHUMER, HUTCHISON, BAYH, CHAFEE, and REID to introduce bipartisan legislation intended to help Americans build a more secure retirement. Many of these members, such as Senator GRAHAM, HATCH, BREAUX, and JEFFORDS have been engaged in pension reform issues for many years. Others bring new energy to the pension reform debate. I want to take a moment to thank them all for their hard work and enthusiasm in this bipartisan effort.

For five years now, Senate Finance Committee has worked on this comprehensive pension reform legislation. In the last Congress, we came very close to enacting it into law. For example, the Finance Committee unanimously reported out the bill in early September 2000. While our bill was not

considered on the floor, my colleagues and I are not discouraged. We have built on the work from the last five years in crafting the Retirement Security and Savings Act of 2001.

Many baby boomers will enter retirement ill prepared for the potentially high costs of supporting themselves. Inflation alone can siphon money from a fixed income, reducing a retiree's standard of living. So it is important to have a considerable sum saved for one's postemployment years. A fixed income for a worker who retires today will have half the purchasing power 20 years from now, assuming the historical average rate of inflation of 3.25 percent. Having adequate retirement savings can protect against inflation and other unexpected costs. Savings rates are at an historical low, but this bill will provide the incentives individuals need to boost their savings rates.

The Retirement Security and Savings Act of 2001 has six titles: individual retirement arrangements; expanding coverage; enhancing fairness for women and families; increasing portability for participants; strengthening pension security and enforcement; and reducing regulatory burdens. Let me highlight a few provisions from each title.

The limit on annual contributions to an IRA has not increased in twenty years. If the contribution limit kept up with inflation, individuals would now be able to contribute around \$5000 to an IRA each year. Our bill would increase the maximum contribution limit from \$2000 to \$5000 and adjust that limit for inflation.

The Retirement Security and Savings Act of 2001 would also eliminate the marriage penalty applicable to contributions to a Roth IRA. The income limits for contributing would now be increased so that the applicable limit for married couples is twice the limit for single taxpayers.

The Small Business Administration reports that, small businesses employ 52 percent of the private sector labor force. An amazing 75 percent of new jobs are created by small businesses. Yet less than 20 percent of small business employees are covered by a retirement plan of any kind. By contrast, approximately 70 percent of employees who work for larger firms are offered a retirement plan. We work to address this disparity in the bill by making pension plans more attractive to business owners. The limitations on annual contributions to 401(k) plans would increase from \$10,500 to \$15,000. The SIMPLE limit would increase to \$10,000. We know that pension plans are bought and not sold. In a voluntary system such as ours, retirement plans must be attractive to the business owner in order for him or her to establish a plan in the first place and maintain it over many years. These higher limits help to make qualified plans more attractive, relative to non-qualified plans. When a business establishes a qualified plan, workers benefit, as well as business owners.

The bill would also help defray the administrative costs of setting up a retirement plan by offering a partial tax credit of the costs associated with starting a plan. Furthermore, the bill would provide an additional credit for small business employers who make an employer contribution to the new retirement plan for the benefit of non-highly compensated employees. These credits have the potential to expand coverage among small businesses and we hope they will help us to accomplish that objective.

This bill also encourages lower or middle income individuals, to save for their retirement by establishing a retirement savings tax credit. This non-refundable credit will be equal to 50 percent of up to \$2000 in contributions for a married couple with an income up to \$30,000, and \$15,000 for an individual taxpayer. Our goal with this provision is get people, especially young people, in the habit of saving.

The Retirement Security and Savings Act of 2001 would encourage small businesses to start a retirement plan for their employees by eliminating unnecessary administrative complexity in the top heavy rules. Top heavy rules that apply only to small businesses and, according to an Employee Benefits Research Institute, EBRI, survey, are the number one regulatory reason why small business owners do not start a pension. While the language in this bill may not go as far as many would like, the changes we have made are a step in the right direction.

Women tend to be somewhat more at risk of living in poverty as they age. There are many causes for this trend. For example, women may have breaks in service to care for young children or for elderly family members. Consequently, we hope this legislation will help women workers more saving options despite periodic departures from the paid workforce.

The Retirement Security and Savings Act partially restores the artificial limits on how much people can save in their employer's pension plan. One of the most burdensome provisions in the Internal Revenue Code is that 25 percent of compensation limitation contained within section 451(c). Under section 415(c), total contributions by employer and employee into a defined contribution plan are limited to 25 percent of compensation or \$35,000, whichever is less.

But the retirement savings vehicle available for most private sector workers is the 401(k) plan where the maximum amount a worker can save is currently \$10,500. Thus, a workers who makes \$40,000 annually could only save \$10,000, but not the additional \$500 allowed by the rules in the Code. My colleagues and I see section 415(c) as an artificial barrier to saving of ordinary Americans and believe the 415(c) limit should be removed.

Our bill also allows catch-up contributions for contributions to defined contribution plans and IRAs. The provision is applicable only to individuals

age 50 and older—aiding many who may have started saving late in life or after other major financial obligations were out of the way such as paying down mortgages or sending children to college. It may also help those who were not in the paid labor force while they took time off to care for young children or ailing family members.

This provision is also important for those who save for retirement only through an IRA. As I said a moment ago, the limits on IRAs have not escalated for twenty years. IRA savers have lost out on twenty years of contributions and earnings on those contributions that presumably would have been made had the limits increased with inflation as they do in other plans. Under current law, certain workers who save in section 403(b) plans or 457 (or in some cases a 401(k)) deferred compensation plans for state and local government employees are allowed to make catch-up contributions for a period of time prior to their retirement dates.

I know of no justification why catch-up contributions should not be allowed for all types of defined contribution plans. One complaint that plan administrators in the 403(b) and governmental (both 457 and 401(k)) plans have made is that the rules concerning when such catch-up contributions can be and how they must be made are cumbersome. Those plan experts advocate a greatly simplified framework for allowing catch-up contributions such as the one in our bill.

Under current law, an employer may require up to five years of service before an employee is entitled to employer's matching contributions to its retirement savings plan. The legislation would reduce the maximum number of years of service required to vest the employer's matching contributions to only three years. A shorter vesting requirement would ensure that more short-service workers will have a vested right to their employers' matching contributions. Thus, larger accounts will be available to be saved for retirement despite frequent job changes.

The legislation also contains proposals which promote retirement savings plan portability. The lack of portability among plans is one of the weak links in our current retirement saving system. This is an especially difficult problem for our public employees for whom current law does not permit rollovers. A police officer or firefighter who leaves public service at age 50 or 55 and begins another career in the private sector, may not transfer savings to his or her new plan even if the new employer's plan would accept them. Our bill would change this. It removes unnecessary obstacles to portability for all types of plans in the governmental, not-for-profit and the for-profit sectors of our economy.

In addition, this bill allows public sector workers to take benefits from a defined contribution plan and by service credit in their defined benefit plan. For example, many school teachers

who move from one school district to another may not accrue sufficient years of service in their defined benefit plan to obtain the maximum benefit they need to retire. Yet many school teachers are good savers. They discipline themselves and save regularly in their defined contribution plans. Our bill will permit those employees who choose to do so, to "purchase service credit" in the defined benefit plan offered by their employing agency.

It is said that knowledge is power. Knowledge about an individual's pension benefits gives him or her the power to plan for retirement and correct errors before they enter retirement. The legislation would require that plan sponsors provide benefit statements to their participants on a periodic basis. For defined contribution plans, the statement would be required annually. For defined benefits plans, a statement would be required every three years. However, employers who provide an annual notice to employees of the availability of a benefit statement would not be required to provide automatic benefit statements to all employees.

The bill also simplifies and repeals some of the legal requirements that burden plans and increase costs for employers who sponsor pension plans. For example, the legislation seeks to repeal the full-funding limit that is imposed on defined benefit plans. This limit prevents employers from funding their defined benefit plans based on the current liability. This depressed funding level threatens the ability of employers to pay benefits, especially as the Baby Boom begins to retire.

This bill will also adjust the section 415 limits that have harmed many participants in multiemployer pension plans over the years. It will also provide a default option for a rollover to an IRA for certain involuntary cash outs. This is our first look at ways to reduce plan leakage.

In the case of a significant restructuring of a pension plan benefit formula, the Retirement Security and Savings Act of 2001 would require that affected recipients be given a benefit estimation tool kit. This would allow pension plan participants to easily determine how their individual benefits would be altered. The bill also directs the Treasury Department to study on the long-term effects of the trend of restructuring retirement plans.

To reduce the burdens of plan compliance, and to encourage voluntary compliance, the legislation includes a number of proposals intended to peel away at the layers of laws and regulations that add costs to plan administration, but don't add many benefits. The legislation would repeal unnecessary rules bogging down pension administration, such as the multiple use test and the same desk rule. Moreover, mistakes made in administering a pension plan are often inadvertent. The IRS would be directed to simplify and expand its voluntary compliance resolution system.

The Retirement Security and Savings Act of 2001 has considerable bipartisan support. Furthermore, over the years that it has been pending, this legislation has received the support of over 100 organizations. These organizations include business groups and labor unions; large companies and small companies; private sector organizations and organizations representing government employees and many individuals. Few bills in the Senate can claim the diversity of support from organizations that traditionally don't agree on policy that the Retirement Security and Savings Act of 2001 enjoys. I am proud of this fact. I think it is the clearest signal that we need to enact comprehensive pension reform this session.

I am happy to add one more organization to the list of organizations supporting the Retirement Security and Savings Act of 2001. Horace Deets, Executive Director of AARP sent a letter to me this week expressing AARP's support for the legislation.

I will work to pass this critical piece of pension reform legislation this Congress. I urge my colleagues who have not already done so, to support the Retirement Security and Savings Act of 2001 and help Americans build a more secure retirement.

I ask unanimous consent that the text of the Retirement Security and Savings Act of 2001 be printed in the RECORD.

There being no objection, the bill S. 742 was ordered to be printed in the RECORD, as follows:

S. 742

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

#### **SECTION 1. SHORT TITLE; REFERENCES; TABLE OF CONTENTS.**

(a) **SHORT TITLE.**—This Act may be cited as the "Retirement Security and Savings Act of 2001".

(b) **AMENDMENT OF 1986 CODE.**—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

(c) **TABLE OF CONTENTS.**—The table of contents of this Act is as follows:

Sec. 1. Short title; references; table of contents.

#### **TITLE I—INDIVIDUAL RETIREMENT ACCOUNTS**

- Sec. 101. Modification of IRA contribution limits.
- Sec. 102. Deemed IRAs under employer plans.
- Sec. 103. Tax-free distributions from individual retirement accounts for charitable purposes.
- Sec. 104. Modification of AGI limits for Roth IRAs.

#### **TITLE II—EXPANDING COVERAGE**

- Sec. 201. Increase in benefit and contribution limits.
- Sec. 202. Plan loans for subchapter S owners, partners, and sole proprietors.
- Sec. 203. Modification of top-heavy rules.
- Sec. 204. Elective deferrals not taken into account for purposes of deduction limits.

- Sec. 205. Repeal of coordination requirements for deferred compensation plans of State and local governments and tax-exempt organizations.
- Sec. 206. Deduction limits.
- Sec. 207. Option to treat elective deferrals as after-tax Roth contributions.
- Sec. 208. Nonrefundable credit to certain individuals for elective deferrals and IRA contributions.
- Sec. 209. Credit for qualified pension plan contributions of small employers.
- Sec. 210. Credit for pension plan startup costs of small employers.
- Sec. 211. Elimination of user fee for requests to IRS regarding new pension plans.

#### TITLE III—ENHANCING FAIRNESS FOR WOMEN

- Sec. 301. Catch-up contributions for individuals age 50 or over.
- Sec. 302. Equitable treatment for contributions of employees to defined contribution plans.
- Sec. 303. Faster vesting of certain employer matching contributions.
- Sec. 304. Minimum distribution rules.
- Sec. 305. Clarification of tax treatment of division of section 457 plan benefits upon divorce.
- Sec. 306. Provisions relating to hardship distributions.
- Sec. 307. Waiver of tax on nondeductible contributions for domestic or similar workers.

#### TITLE IV—INCREASING PORTABILITY FOR PARTICIPANTS

- Sec. 401. Rollovers allowed among various types of plans.
- Sec. 402. Rollovers of IRAs into workplace retirement plans.
- Sec. 403. Rollovers of after-tax contributions.
- Sec. 404. Hardship exception to 60-day rule.
- Sec. 405. Treatment of forms of distribution.
- Sec. 406. Rationalization of restrictions on distributions.
- Sec. 407. Purchase of service credit in governmental defined benefit plans.
- Sec. 408. Employers may disregard rollovers for purposes of cash-out amounts.
- Sec. 409. Minimum distribution and inclusion requirements for section 457 plans.

#### TITLE V—STRENGTHENING PENSION SECURITY AND ENFORCEMENT

##### Subtitle A—General Provisions

- Sec. 501. Repeal of 155 percent of current liability funding limit.
- Sec. 502. Maximum contribution deduction rules modified and applied to all defined benefit plans.
- Sec. 503. Excise tax relief for sound pension funding.
- Sec. 504. Treatment of multiemployer plans under section 415.
- Sec. 505. Protection of investment of employee contributions to 401(k) plans.
- Sec. 506. Periodic pension benefits statements.
- Sec. 507. Prohibited allocations of stock in S Corporation ESOP.
- Sec. 508. Automatic rollovers of certain mandatory distributions.

##### Subtitle B—Treatment of Plan Amendments Reducing Future Benefit Accruals

- Sec. 521. Notice required for pension plan amendments having the effect of significantly reducing future benefit accruals.

#### TITLE VI—REDUCING REGULATORY BURDENS

- Sec. 601. Modification of timing of plan valuations.
- Sec. 602. ESOP dividends may be reinvested without loss of dividend deduction.
- Sec. 603. Repeal of transition rule relating to certain highly compensated employees.
- Sec. 604. Employees of tax-exempt entities.
- Sec. 605. Clarification of treatment of employer-provided retirement advice.
- Sec. 606. Reporting simplification.
- Sec. 607. Improvement of employee plans compliance resolution system.
- Sec. 608. Repeal of the multiple use test.
- Sec. 609. Flexibility in nondiscrimination, coverage, and line of business rules.
- Sec. 610. Extension to all governmental plans of moratorium on application of certain nondiscrimination rules applicable to State and local plans.
- Sec. 611. Notice and consent period regarding distributions.
- Sec. 612. Annual report dissemination.
- Sec. 613. Technical corrections to Saver Act.
- Sec. 614. Studies.

#### TITLE VII—OTHER ERISA PROVISIONS

- Sec. 701. Missing participants.
- Sec. 702. Reduced PBGC premium for new plans of small employers.
- Sec. 703. Reduction of additional PBGC premium for new and small plans.
- Sec. 704. Authorization for PBGC to pay interest on premium overpayment refunds.
- Sec. 705. Substantial owner benefits in terminated plans.
- Sec. 706. Civil penalties for breach of fiduciary responsibility.
- Sec. 707. Benefit suspension notice.

#### TITLE VIII—PLAN AMENDMENTS

- Sec. 801. Provisions relating to plan amendments.

#### TITLE I—INDIVIDUAL RETIREMENT ACCOUNTS

##### SEC. 101. MODIFICATION OF IRA CONTRIBUTION LIMITS.

(a) INCREASE IN CONTRIBUTION LIMIT.—

(1) IN GENERAL.—Paragraph (1)(A) of section 219(b) (relating to maximum amount of deduction) is amended by striking “\$2,000” and inserting “the deductible amount”.

(2) DEDUCTIBLE AMOUNT.—Section 219(b) is amended by adding at the end the following new paragraph:

“(5) DEDUCTIBLE AMOUNT.—For purposes of paragraph (1)(A)—

“(A) IN GENERAL.—The deductible amount shall be determined in accordance with the following table:

<b>“For taxable years beginning in:</b>	<b>The deductible amount is:</b>
2002 .....	\$3,000
2003 .....	\$4,000
2004 and thereafter .....	\$5,000.

“(B) CATCH-UP CONTRIBUTIONS FOR INDIVIDUALS 50 OR OLDER.—In the case of an individual who has attained the age of 50 before the close of the taxable year, the deductible amount for such taxable year shall be an amount equal to 150 percent of such amount determined without regard to this subparagraph.

“(C) COST-OF-LIVING ADJUSTMENT.—

“(i) IN GENERAL.—In the case of any taxable year beginning in a calendar year after 2004, the \$5,000 amount under subparagraph (A) shall be increased by an amount equal to—

“(I) such dollar amount, multiplied by

“(II) the cost-of-living adjustment determined under section 1(f)(3) for the calendar

year in which the taxable year begins, determined by substituting ‘calendar year 2003’ for ‘calendar year 1992’ in subparagraph (B) thereof.

“(ii) ROUNDING RULES.—If any amount after adjustment under clause (i) is not a multiple of \$500, such amount shall be rounded to the next lower multiple of \$500.”.

(b) INCREASE IN AGI LIMITS FOR ACTIVE PARTICIPANTS.—

(1) JOINT RETURNS.—The table in clause (i) of section 219(g)(3)(B) (relating to applicable dollar amount) is amended to read as follows:

<b>“For taxable years beginning in calendar year:</b>	<b>The applicable dollar amount:</b>
2002 .....	\$56,000
2003 .....	\$60,000
2004 .....	\$64,000
2005 .....	\$68,000
2006 .....	\$72,000
2007 .....	\$76,000
2008 or thereafter .....	\$80,000.”.

(2) OTHER TAXPAYERS.—Section 219(g)(3)(B) (relating to applicable dollar amount) is amended by striking clauses (ii) and (iii) and inserting the following:

“(ii) In the case of any other taxpayer:

<b>“For taxable years beginning in calendar year:</b>	<b>The applicable dollar amount:</b>
2002 .....	\$36,000
2003 .....	\$40,000
2004 .....	\$44,000
2005 .....	\$48,000
2006 or thereafter .....	\$50,000.”.

(c) CONFORMING AMENDMENTS.—

(1) Section 408(a)(1) is amended by striking “in excess of \$2,000 on behalf of any individual” and inserting “on behalf of any individual in excess of the amount in effect for such taxable year under section 219(b)(1)(A)”.

(2) Section 408(b)(2)(B) is amended by striking “\$2,000” and inserting “the dollar amount in effect under section 219(b)(1)(A)”.

(3) Section 408(b) is amended by striking “\$2,000” in the matter following paragraph (4) and inserting “the dollar amount in effect under section 219(b)(1)(A)”.

(4) Section 408(j) is amended by striking “\$2,000”.

(5) Section 408(p)(8) is amended by striking “\$2,000” and inserting “the dollar amount in effect under section 219(b)(1)(A)”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

##### SEC. 102. DEEMED IRAS UNDER EMPLOYER PLANS.

(a) IN GENERAL.—Section 408 (relating to individual retirement accounts) is amended by redesignating subsection (q) as subsection (r) and by inserting after subsection (p) the following new subsection:

“(q) DEEMED IRAS UNDER QUALIFIED EMPLOYER PLANS.—

“(1) GENERAL RULE.—If—

“(A) a qualified employer plan elects to allow employees to make voluntary employee contributions to a separate account or annuity established under the plan, and

“(B) under the terms of the qualified employer plan, such account or annuity meets the applicable requirements of this section or section 408A for an individual retirement account or annuity,

then such account or annuity shall be treated for purposes of this title in the same manner as an individual retirement plan and not as a qualified employer plan (and contributions to such account or annuity as contributions to an individual retirement plan and not to the qualified employer plan). For purposes of subparagraph (B), the requirements of subsection (a)(5) shall not apply.

“(2) SPECIAL RULES FOR QUALIFIED EMPLOYER PLANS.—For purposes of this title, a qualified employer plan shall not fail to meet any requirement of this title solely by reason of establishing and maintaining a program described in paragraph (1).

“(3) DEFINITIONS.—For purposes of this subsection—

“(A) QUALIFIED EMPLOYER PLAN.—The term ‘qualified employer plan’ has the meaning given such term by section 72(p)(4); except such term shall only include an eligible deferred compensation plan (as defined in section 457(b)) which is maintained by an eligible employer described in section 457(e)(1)(A).

“(B) VOLUNTARY EMPLOYEE CONTRIBUTION.—The term ‘voluntary employee contribution’ means any contribution (other than a mandatory contribution within the meaning of section 411(c)(2)(C))—

“(i) which is made by an individual as an employee under a qualified employer plan which allows employees to elect to make contributions described in paragraph (1), and

“(ii) with respect to which the individual has designated the contribution as a contribution to which this subsection applies.”.

(b) AMENDMENT OF ERISA.—

(1) IN GENERAL.—Section 4 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1003) is amended by adding at the end the following new subsection:

“(c) If a pension plan allows an employee to elect to make voluntary employee contributions to accounts and annuities as provided in section 408(q) of the Internal Revenue Code of 1986, such accounts and annuities (and contributions thereto) shall not be treated as part of such plan (or as a separate pension plan) for purposes of any provision of this title other than section 403(c), 404, or 405 (relating to exclusive benefit, and fiduciary and co-fiduciary responsibilities).”.

(2) CONFORMING AMENDMENT.—Section 4(a) of such Act (29 U.S.C. 1003(a)) is amended by inserting “or (c)” after “subsection (b)”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after December 31, 2002.

#### SEC. 103. TAX-FREE DISTRIBUTIONS FROM INDIVIDUAL RETIREMENT ACCOUNTS FOR CHARITABLE PURPOSES.

(a) IN GENERAL.—Subsection (d) of section 408 (relating to individual retirement accounts) is amended by adding at the end the following new paragraph:

“(8) DISTRIBUTIONS FOR CHARITABLE PURPOSES.—

“(A) IN GENERAL.—In the case of a qualified charitable distribution from an individual retirement account to an organization described in section 170(c), no amount shall be includible in the gross income of the account holder or beneficiary.

“(B) SPECIAL RULES RELATING TO CHARITABLE REMAINDER TRUSTS, POOLED INCOME FUNDS, AND CHARITABLE GIFT ANNUITIES.—

“(i) IN GENERAL.—In the case of a qualified charitable distribution from an individual retirement account—

“(I) to a charitable remainder annuity trust or a charitable remainder unitrust (as such terms are defined in section 664(d)),

“(II) to a pooled income fund (as defined in section 642(c)(5)), or

“(III) for the issuance of a charitable gift annuity (as defined in section 501(m)(5)),

no amount shall be includible in gross income of the account holder or beneficiary. The preceding sentence shall apply only if no person holds any interest in the amounts in the trust, fund, or annuity attributable to such distribution other than one or more of the following: the individual for whose benefit such account is maintained, the spouse of such individual, or any organization described in section 170(c).

“(ii) DETERMINATION OF INCLUSION OF AMOUNTS DISTRIBUTED.—In determining the amount includible in the gross income of the distributee of a distribution from a trust described in clause (i)(I) or an annuity described in clause (i)(III), the portion of any qualified charitable distribution to such trust or for such annuity which would (but for this subparagraph) have been includible in gross income—

“(I) in the case of any such trust, shall be treated as income described in section 664(b)(1), or

“(II) in the case of any such annuity, shall not be treated as an investment in the contract.

“(iii) NO INCLUSION FOR DISTRIBUTION TO POOLED INCOME FUND.—No amount shall be includible in the gross income of a pooled income fund (as so defined) by reason of a qualified charitable distribution to such fund.

“(C) QUALIFIED CHARITABLE DISTRIBUTION.—For purposes of this paragraph, the term ‘qualified charitable distribution’ means any distribution from an individual retirement account—

“(i) which is made on or after the date that the individual for whose benefit the account is maintained has attained age 70½, and

“(ii) which is a charitable contribution (as defined in section 170(c)) made directly from the account to—

“(I) an organization described in section 170(c), or

“(II) a trust, fund, or annuity described in subparagraph (B).

“(D) DENIAL OF DEDUCTION.—The amount allowable as a deduction to the taxpayer for the taxable year under section 170 (before the application of section 170(b)) for qualified charitable distributions shall be reduced (but not below zero) by the sum of the amounts of the qualified charitable distributions during such year which (but for this paragraph) would have been includible in the gross income of the taxpayer for such year.”.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 2001.

#### SEC. 104. MODIFICATION OF AGI LIMITS FOR ROTH IRAS.

(a) INCREASE IN AGI LIMIT FOR ROTH IRA CONTRIBUTIONS.—

(1) IN GENERAL.—Section 408A(c)(3)(C)(ii) (relating to limits based on modified adjusted gross income) is amended to read as follows:

“(i) the applicable dollar amount is—

“(I) in the case of a taxpayer filing a joint return, \$190,000, and

“(II) in the case of any other taxpayer, \$95,000.”.

(2) PHASEOUT AMOUNT.—Clause (ii) of section 408A(c)(3)(A) is amended to read as follows:

“(ii) \$15,000 (\$30,000 in the case of a joint return).”.

(b) INCREASE IN AGI LIMIT FOR ROTH IRA CONVERSIONS.—Section 408A(c)(3)(B) (relating to rollover from IRA) is amended by striking “relates” and all that follows and inserting “relates, the taxpayer’s adjusted gross income exceeds \$100,000 (\$200,000 in the case of a joint return).”.

(c) CONFORMING AMENDMENT.—Section 408A(c)(3) is amended by striking subparagraph (D).

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

#### TITLE II—EXPANDING COVERAGE

##### SEC. 201. INCREASE IN BENEFIT AND CONTRIBUTION LIMITS.

(a) DEFINED BENEFIT PLANS.—

(1) DOLLAR LIMIT.—

(A) Subparagraph (A) of section 415(b)(1) (relating to limitation for defined benefit

plans) is amended by striking “\$90,000” and inserting “\$160,000”.

(B) Subparagraphs (C) and (D) of section 415(b)(2) are each amended by striking “\$90,000” each place it appears in the headings and the text and inserting “\$160,000”.

(C) Paragraph (7) of section 415(b) (relating to benefits under certain collectively bargained plans) is amended by striking “the greater of \$68,212 or one-half the amount otherwise applicable for such year under paragraph (1)(A) for ‘\$90,000’” and inserting “one-half the amount otherwise applicable for such year under paragraph (1)(A) for ‘\$160,000’”.

(2) LIMIT REDUCED WHEN BENEFIT BEGINS BEFORE AGE 62.—Subparagraph (C) of section 415(b)(2) is amended by striking “the social security retirement age” each place it appears in the heading and text and inserting “age 62” and by striking the second sentence.

(3) LIMIT INCREASED WHEN BENEFIT BEGINS AFTER AGE 65.—Subparagraph (D) of section 415(b)(2) is amended by striking “the social security retirement age” each place it appears in the heading and text and inserting “age 65”.

(4) COST-OF-LIVING ADJUSTMENTS.—Subsection (d) of section 415 (related to cost-of-living adjustments) is amended—

(A) by striking “\$90,000” in paragraph (1)(A) and inserting “\$160,000”; and

(B) in paragraph (3)(A)—

(i) by striking “\$90,000” in the heading and inserting “\$160,000”; and

(ii) by striking “October 1, 1986” and inserting “July 1, 2001”.

(5) CONFORMING AMENDMENTS.—

(A) Section 415(b)(2) is amended by striking subparagraph (F).

(B) Section 415(b)(9) is amended to read as follows:

“(9) SPECIAL RULE FOR COMMERCIAL AIRLINE PILOTS.—In the case of any participant who is a commercial airline pilot, if, as of the time of the participant’s retirement, regulations prescribed by the Federal Aviation Administration require an individual to separate from service as a commercial airline pilot after attaining any age occurring on or after age 60 and before age 62, paragraph (2)(C) shall be applied by substituting such age for age 62.”.

(C) Section 415(b)(10)(C)(i) is amended by striking “applied without regard to paragraph (2)(F)”.

(b) QUALIFIED TRUSTS.—

(1) COMPENSATION LIMIT.—Sections 401(a)(17), 404(i), 408(k), and 505(b)(7) are each amended by striking “\$150,000” each place it appears and inserting “\$200,000”.

(2) BASE PERIOD AND ROUNDING OF COST-OF-LIVING ADJUSTMENT.—Subparagraph (B) of section 401(a)(17) is amended—

(A) by striking “October 1, 1993” and inserting “July 1, 2001”; and

(B) by striking “\$10,000” both places it appears and inserting “\$5,000”.

(c) ELECTIVE DEFERRALS.—

(1) IN GENERAL.—Paragraph (1) of section 402(g) (relating to limitation on exclusion for elective deferrals) is amended to read as follows:

“(1) IN GENERAL.—

“(A) LIMITATION.—Notwithstanding subsections (e)(3) and (h)(1)(B), the elective deferrals of any individual for any taxable year shall be included in such individual’s gross income to the extent the amount of such deferrals for the taxable year exceeds the applicable dollar amount.

“(B) APPLICABLE DOLLAR AMOUNT.—For purposes of subparagraph (A), the applicable dollar amount shall be the amount determined in accordance with the following table:

<b>"For taxable years beginning in calendar year:</b>	<b>The applicable dollar amount:</b>
2002 .....	\$11,000
2003 .....	\$12,000
2004 .....	\$13,000
2005 .....	\$14,000
2006 or thereafter .....	\$15,000."

(2) **COST-OF-LIVING ADJUSTMENT.**—Paragraph (5) of section 402(g) is amended to read as follows:

"(5) **COST-OF-LIVING ADJUSTMENT.**—In the case of taxable years beginning after December 31, 2006, the Secretary shall adjust the \$15,000 amount under paragraph (1)(B) at the same time and in the same manner as under section 415(d), except that the base period shall be the calendar quarter beginning July 1, 2005, and any increase under this paragraph which is not a multiple of \$500 shall be rounded to the next lowest multiple of \$500."

(3) **CONFORMING AMENDMENTS.**—

(A) Section 402(g) (relating to limitation on exclusion for elective deferrals), as amended by paragraphs (1) and (2), is further amended by striking paragraph (4) and redesignating paragraphs (5), (6), (7), (8), and (9) as paragraphs (4), (5), (6), (7), and (8), respectively.

(B) Paragraph (2) of section 457(c) is amended by striking "402(g)(8)(A)(iii)" and inserting "402(g)(7)(A)(iii)".

(C) Clause (iii) of section 501(c)(18)(D) is amended by striking "(other than paragraph (4) thereof)".

(d) **DEFERRED COMPENSATION PLANS OF STATE AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANIZATIONS.**—

(1) **IN GENERAL.**—Section 457 (relating to deferred compensation plans of State and local governments and tax-exempt organizations) is amended—

(A) in subsections (b)(2)(A) and (c)(1) by striking "\$7,500" each place it appears and inserting "the applicable dollar amount"; and

(B) in subsection (b)(3)(A) by striking "\$15,000" and inserting "twice the dollar amount in effect under subsection (b)(2)(A)".

(2) **APPLICABLE DOLLAR AMOUNT; COST-OF-LIVING ADJUSTMENT.**—Paragraph (15) of section 457(e) is amended to read as follows:

"(15) **APPLICABLE DOLLAR AMOUNT.**—

"(A) **IN GENERAL.**—The applicable dollar amount shall be the amount determined in accordance with the following table:

<b>"For taxable years beginning in calendar year:</b>	<b>The applicable dollar amount:</b>
2002 .....	\$11,000
2003 .....	\$12,000
2004 .....	\$13,000
2005 .....	\$14,000
2006 or thereafter .....	\$15,000.

"(B) **COST-OF-LIVING ADJUSTMENTS.**—In the case of taxable years beginning after December 31, 2006, the Secretary shall adjust the \$15,000 amount under subparagraph (A) at the same time and in the same manner as under section 415(d), except that the base period shall be the calendar quarter beginning July 1, 2005, and any increase under this paragraph which is not a multiple of \$500 shall be rounded to the next lowest multiple of \$500."

(e) **SIMPLE RETIREMENT ACCOUNTS.**—

(1) **LIMITATION.**—Clause (ii) of section 408(p)(2)(A) (relating to general rule for qualified salary reduction arrangement) is amended by striking "\$6,000" and inserting "the applicable dollar amount".

(2) **APPLICABLE DOLLAR AMOUNT.**—Subparagraph (E) of 408(p)(2) is amended to read as follows:

"(E) **APPLICABLE DOLLAR AMOUNT; COST-OF-LIVING ADJUSTMENT.**—

"(i) **IN GENERAL.**—For purposes of subparagraph (A)(ii), the applicable dollar amount shall be the amount determined in accordance with the following table:

<b>"For taxable years beginning in calendar year:</b>	<b>The applicable dollar amount:</b>
2002 .....	\$7,000
2003 .....	\$8,000
2004 .....	\$9,000
2005 or thereafter .....	\$10,000.

"(ii) **COST-OF-LIVING ADJUSTMENT.**—In the case of a year beginning after December 31, 2005, the Secretary shall adjust the \$10,000 amount under clause (i) at the same time and in the same manner as under section 415(d), except that the base period taken into account shall be the calendar quarter beginning July 1, 2004, and any increase under this subparagraph which is not a multiple of \$500 shall be rounded to the next lower multiple of \$500."

(3) **CONFORMING AMENDMENTS.**—

(A) Subclause (I) of section 401(k)(11)(B)(i) is amended by striking "\$6,000" and inserting "the amount in effect under section 408(p)(2)(A)(ii)".

(B) Section 401(k)(11) is amended by striking subparagraph (E).

(f) **ROUNDING RULE RELATING TO DEFINED BENEFIT PLANS AND DEFINED CONTRIBUTION PLANS.**—Paragraph (4) of section 415(d) is amended to read as follows:

"(4) **ROUNDING.**—

"(A) **\$160,000 AMOUNT.**—Any increase under subparagraph (A) of paragraph (1) which is not a multiple of \$5,000 shall be rounded to the next lowest multiple of \$5,000.

"(B) **\$30,000 AMOUNT.**—Any increase under subparagraph (C) of paragraph (1) which is not a multiple of \$1,000 shall be rounded to the next lowest multiple of \$1,000."

(g) **EFFECTIVE DATE.**—The amendments made by this section shall apply to years beginning after December 31, 2001.

**SEC. 202. PLAN LOANS FOR SUBCHAPTER S OWNERS, PARTNERS, AND SOLE PROPRIETORS.**

(a) **IN GENERAL.**—Subparagraph (B) of section 4975(f)(6) (relating to exemptions not to apply to certain transactions) is amended by adding at the end the following new clause:

"(iii) **LOAN EXCEPTION.**—For purposes of subparagraph (A)(i), the term 'owner-employee' shall only include a person described in subclause (II) or (III) of clause (i)."

(b) **AMENDMENT OF ERISA.**—Section 408(d)(2) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1108(d)(2)) is amended by adding at the end the following new subparagraph:

"(C) For purposes of paragraph (1)(A), the term 'owner-employee' shall only include a person described in clause (ii) or (iii) of subparagraph (A)."

(c) **EFFECTIVE DATE.**—The amendment made by this section shall apply to years beginning after December 31, 2001.

**SEC. 203. MODIFICATION OF TOP-HEAVY RULES.**

(a) **SIMPLIFICATION OF DEFINITION OF KEY EMPLOYEE.**—

(1) **IN GENERAL.**—Section 416(i)(1)(A) (defining key employee) is amended—

(A) by striking "or any of the 4 preceding plan years" in the matter preceding clause (i);

(B) by striking clause (i) and inserting the following:

"(i) an officer of the employer having an annual compensation greater than the amount in effect under section 414(q)(1)(B)(i) for such plan year,";

(C) by striking clause (ii) and redesignating clauses (iii) and (iv) as clauses (ii) and (iii), respectively;

(D) by striking the second sentence in the matter following clause (iii), as redesignated by subparagraph (C); and

(E) by adding at the end the following: "For purposes of this subparagraph, in the case of an employee who is not employed during the preceding plan year or is employed for a portion of such year, such employee shall be treated as a key employee if it can be reasonably anticipated that such employee will be described in 1 of the preceding clauses for the current plan year."

(2) **CONFORMING AMENDMENT.**—Section 416(i)(1)(B)(iii) is amended by striking "and subparagraph (A)(ii)".

(b) **MATCHING CONTRIBUTIONS TAKEN INTO ACCOUNT FOR MINIMUM CONTRIBUTION REQUIREMENTS.**—Section 416(c)(2)(A) (relating to defined contribution plans) is amended by adding at the end the following: "Employer matching contributions (as defined in section 401(m)(4)(A)) shall be taken into account for purposes of this subparagraph."

(c) **DISTRIBUTIONS DURING LAST YEAR BEFORE DETERMINATION DATE TAKEN INTO ACCOUNT.**—

(1) **IN GENERAL.**—Paragraph (3) of section 416(g) is amended to read as follows:

"(3) **DISTRIBUTIONS DURING LAST YEAR BEFORE DETERMINATION DATE TAKEN INTO ACCOUNT.**—

"(A) **IN GENERAL.**—For purposes of determining—

"(i) the present value of the cumulative accrued benefit for any employee, or

"(ii) the amount of the account of any employee,

such present value or amount shall be increased by the aggregate distributions made with respect to such employee under the plan during the 1-year period ending on the determination date. The preceding sentence shall also apply to distributions under a terminated plan which if it had not been terminated would have been required to be included in an aggregation group.

"(B) **5-YEAR PERIOD IN CASE OF IN-SERVICE DISTRIBUTION.**—In the case of any distribution made for a reason other than separation from service, death, or disability, subparagraph (A) shall be applied by substituting '5-year period' for '1-year period'."

(2) **BENEFITS NOT TAKEN INTO ACCOUNT.**—Subparagraph (E) of section 416(g)(4) is amended—

(A) by striking "LAST 5 YEARS" in the heading and inserting "LAST YEAR BEFORE DETERMINATION DATE"; and

(B) by striking "5-year period" and inserting "1-year period".

(d) **FROZEN PLAN EXEMPT FROM MINIMUM BENEFIT REQUIREMENT.**—Subparagraph (C) of section 416(c)(1) (relating to defined benefit plans) is amended—

(A) by striking "clause (ii)" in clause (i) and inserting "clause (ii) or (iii)"; and

(B) by adding at the end the following:

"(iii) **EXCEPTION FOR FROZEN PLAN.**—For purposes of determining an employee's years of service with the employer, any service with the employer shall be disregarded to the extent that such service occurs during a plan year when the plan benefits (within the meaning of section 410(b)) no key employee or former key employee."

(e) **EFFECTIVE DATE.**—The amendments made by this section shall apply to years beginning after December 31, 2001.

**SEC. 204. ELECTIVE DEFERRALS NOT TAKEN INTO ACCOUNT FOR PURPOSES OF DEDUCTION LIMITS.**

(a) **IN GENERAL.**—Section 404 (relating to deduction for contributions of an employer to an employees' trust or annuity plan and compensation under a deferred payment plan) is amended by adding at the end the following new subsection:

"(n) **ELECTIVE DEFERRALS NOT TAKEN INTO ACCOUNT FOR PURPOSES OF DEDUCTION LIMITS.**—Elective deferrals (as defined in section

402(g)(3)) shall not be subject to any limitation contained in paragraph (3), (7), or (9) of subsection (a), and such elective deferrals shall not be taken into account in applying any such limitation to any other contributions."

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to years beginning after December 31, 2001.

**SEC. 205. REPEAL OF COORDINATION REQUIREMENTS FOR DEFERRED COMPENSATION PLANS OF STATE AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANIZATIONS.**

(a) **IN GENERAL.**—Subsection (c) of section 457 (relating to deferred compensation plans of State and local governments and tax-exempt organizations), as amended by section 201, is amended to read as follows:

"(c) **LIMITATION.**—The maximum amount of the compensation of any one individual which may be deferred under subsection (a) during any taxable year shall not exceed the amount in effect under subsection (b)(2)(A) (as modified by any adjustment provided under subsection (b)(3))."

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall apply to years beginning after December 31, 2001.

**SEC. 206. DEDUCTION LIMITS.**

(a) **MODIFICATION OF LIMITS.**

(1) **STOCK BONUS AND PROFIT SHARING TRUSTS.**—

(A) **IN GENERAL.**—Subclause (I) of section 404(a)(3)(A)(i) (relating to stock bonus and profit sharing trusts) is amended by striking "15 percent" and inserting "25 percent".

(B) **CONFORMING AMENDMENT.**—Subparagraph (C) of section 404(h)(1) is amended by striking "15 percent" each place it appears and inserting "25 percent".

(2) **DEFINED CONTRIBUTION PLANS.**—

(A) **IN GENERAL.**—Clause (v) of section 404(a)(3)(A) (relating to stock bonus and profit sharing trusts) is amended to read as follows:

"(v) **DEFINED CONTRIBUTION PLANS SUBJECT TO THE FUNDING STANDARDS.**—Except as provided by the Secretary, a defined contribution plan which is subject to the funding standards of section 412 shall be treated in the same manner as a stock bonus or profit-sharing plan for purposes of this subparagraph."

(B) **CONFORMING AMENDMENTS.**—

(i) Section 404(a)(1)(A) is amended by inserting "(other than a trust to which paragraph (3) applies)" after "pension trust".

(ii) Section 404(h)(2) is amended by striking "stock bonus or profit-sharing trust" and inserting "trust subject to subsection (a)(3)(A)".

(iii) The heading of section 404(h)(2) is amended by striking "STOCK BONUS AND PROFIT-SHARING TRUST" and inserting "CERTAIN TRUSTS".

(b) **COMPENSATION.**—

(1) **IN GENERAL.**—Section 404(a) (relating to general rule) is amended by adding at the end the following:

"(12) **DEFINITION OF COMPENSATION.**—For purposes of paragraphs (3), (7), (8), and (9), the term 'compensation' shall include amounts treated as 'participant's compensation' under subparagraph (C) or (D) of section 415(c)(3)."

(2) **CONFORMING AMENDMENTS.**—

(A) Subparagraph (B) of section 404(a)(3) is amended by striking the last sentence thereof.

(B) Clause (i) of section 4972(c)(6)(B) is amended by striking "(within the meaning of section 404(a))" and inserting "(within the meaning of section 404(a) and as adjusted under section 404(a)(12))".

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to years beginning after December 31, 2001.

**SEC. 207. OPTION TO TREAT ELECTIVE DEFERRALS AS AFTER-TAX ROTH CONTRIBUTIONS.**

(a) **IN GENERAL.**—Subpart A of part I of subchapter D of chapter 1 (relating to deferred compensation, etc.) is amended by inserting after section 402 the following new section:

**"SEC. 402A. OPTIONAL TREATMENT OF ELECTIVE DEFERRALS AS ROTH CONTRIBUTIONS.**

"(a) **GENERAL RULE.**—If an applicable retirement plan includes a qualified Roth contribution program—

"(1) any designated Roth contribution made by an employee pursuant to the program shall be treated as an elective deferral for purposes of this chapter, except that such contribution shall not be excludable from gross income, and

"(2) such plan (and any arrangement which is part of such plan) shall not be treated as failing to meet any requirement of this chapter solely by reason of including such program."

"(b) **QUALIFIED ROTH CONTRIBUTION PROGRAM.**—For purposes of this section—

"(1) **IN GENERAL.**—The term 'qualified Roth contribution program' means a program under which an employee may elect to make designated Roth contributions in lieu of all or a portion of elective deferrals the employee is otherwise eligible to make under the applicable retirement plan."

"(2) **SEPARATE ACCOUNTING REQUIRED.**—A program shall not be treated as a qualified Roth contribution program unless the applicable retirement plan—

"(A) establishes separate accounts ('designated Roth accounts') for the designated Roth contributions of each employee and any earnings properly allocable to the contributions, and

"(B) maintains separate recordkeeping with respect to each account."

"(c) **DEFINITIONS AND RULES RELATING TO DESIGNATED ROTH CONTRIBUTIONS.**—For purposes of this section—

"(1) **DESIGNATED ROTH CONTRIBUTION.**—The term 'designated Roth contribution' means any elective deferral which—

"(A) is excludable from gross income of an employee without regard to this section, and

"(B) the employee designates (at such time and in such manner as the Secretary may prescribe) as not being so excludable."

"(2) **DESIGNATION LIMITS.**—The amount of elective deferrals which an employee may designate under paragraph (1) shall not exceed the excess (if any) of—

"(A) the maximum amount of elective deferrals excludable from gross income of the employee for the taxable year (without regard to this section), over

"(B) the aggregate amount of elective deferrals of the employee for the taxable year which the employee does not designate under paragraph (1)."

"(3) **ROLLOVER CONTRIBUTIONS.**—

"(A) **IN GENERAL.**—A rollover contribution of any payment or distribution from a designated Roth account which is otherwise allowable under this chapter may be made only if the contribution is to—

"(i) another designated Roth account of the individual from whose account the payment or distribution was made, or

"(ii) a Roth IRA of such individual."

"(B) **COORDINATION WITH LIMIT.**—Any rollover contribution to a designated Roth account under subparagraph (A) shall not be taken into account for purposes of paragraph (1)."

"(d) **DISTRIBUTION RULES.**—For purposes of this title—

"(1) **EXCLUSION.**—Any qualified distribution from a designated Roth account shall not be includible in gross income."

"(2) **QUALIFIED DISTRIBUTION.**—For purposes of this subsection—

"(A) **IN GENERAL.**—The term 'qualified distribution' has the meaning given such term by section 408A(d)(2)(A) (without regard to clause (iv) thereof).

"(B) **DISTRIBUTIONS WITHIN NONEXCLUSION PERIOD.**—A payment or distribution from a designated Roth account shall not be treated as a qualified distribution if such payment or distribution is made within the 5-taxable-year period beginning with the earlier of—

"(i) the first taxable year for which the individual made a designated Roth contribution to any designated Roth account established for such individual under the same applicable retirement plan, or

"(ii) if a rollover contribution was made to such designated Roth account previously established for such individual under another applicable retirement plan, the first taxable year for which the individual made a designated Roth contribution to such previously established account."

"(C) **DISTRIBUTIONS OF EXCESS DEFERRALS AND CONTRIBUTIONS AND EARNINGS THEREON.**—The term 'qualified distribution' shall not include any distribution of any excess deferral under section 402(g)(2) or any excess contribution under section 401(k)(8), and any income on the excess deferral or contribution."

"(3) **TREATMENT OF DISTRIBUTIONS OF CERTAIN EXCESS DEFERRALS.**—Notwithstanding section 72, if any excess deferral under section 402(g)(2) attributable to a designated Roth contribution is not distributed on or before the 1st April 15 following the close of the taxable year in which such excess deferral is made, the amount of such excess deferral shall—

"(A) not be treated as investment in the contract, and

"(B) be included in gross income for the taxable year in which such excess is distributed."

"(4) **AGGREGATION RULES.**—Section 72 shall be applied separately with respect to distributions and payments from a designated Roth account and other distributions and payments from the plan."

"(e) **OTHER DEFINITIONS.**—For purposes of this section—

"(1) **APPLICABLE RETIREMENT PLAN.**—The term 'applicable retirement plan' means—

"(A) an employees' trust described in section 401(a) which is exempt from tax under section 501(a), and

"(B) a plan under which amounts are contributed by an individual's employer for an annuity contract described in section 403(b)."

"(2) **ELECTIVE DEFERRAL.**—The term 'elective deferral' means any elective deferral described in subparagraph (A) or (C) of section 402(g)(3)."

(b) **EXCESS DEFERRALS.**—Section 402(g) (relating to limitation on exclusion for elective deferrals) is amended—

(1) by adding at the end of paragraph (1)(A) (as added by section 201(c)(1)) the following new sentence: "The preceding sentence shall not apply the portion of such excess as does not exceed the designated Roth contributions of the individual for the taxable year."; and

(2) by inserting "(or would be included but for the last sentence thereof)" after "paragraph (1)" in paragraph (2)(A).

(c) **ROLLOVERS.**—Subparagraph (B) of section 402(c)(8) is amended by adding at the end the following:

"If any portion of an eligible rollover distribution is attributable to payments or distributions from a designated Roth account (as defined in section 402A), an eligible retirement plan with respect to such portion shall include only another designated Roth account and a Roth IRA."



## (d) REPORTING REQUIREMENTS.—

(1) W-2 INFORMATION.—Section 6051(a)(8) is amended by inserting “, including the amount of designated Roth contributions (as defined in section 402A)” before the comma at the end.

(2) INFORMATION.—Section 6047 is amended by redesignating subsection (f) as subsection (g) and by inserting after subsection (e) the following new subsection:

“(f) DESIGNATED ROTH CONTRIBUTIONS.—The Secretary shall require the plan administrator of each applicable retirement plan (as defined in section 402A) to make such returns and reports regarding designated Roth contributions (as defined in section 402A) to the Secretary, participants and beneficiaries of the plan, and such other persons as the Secretary may prescribe.”.

## (e) CONFORMING AMENDMENTS.—

(1) Section 408A(e) is amended by adding after the first sentence the following new sentence: “Such term includes a rollover contribution described in section 402A(c)(3)(A).”.

(2) The table of sections for subpart A of part I of subchapter D of chapter 1 is amended by inserting after the item relating to section 402 the following new item:

“Sec. 402A. Optional treatment of elective deferrals as Roth contributions.”.

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

**SEC. 208. NONREFUNDABLE CREDIT TO CERTAIN INDIVIDUALS FOR ELECTIVE DEFERRALS AND IRA CONTRIBUTIONS.**

(a) IN GENERAL.—Subpart A of part IV of subchapter A of chapter 1 (relating to non-

refundable personal credits) is amended by inserting after section 25A the following new section:

**“SEC. 25B. ELECTIVE DEFERRALS AND IRA CONTRIBUTIONS BY CERTAIN INDIVIDUALS.**

“(a) ALLOWANCE OF CREDIT.—In the case of an eligible individual, there shall be allowed as a credit against the tax imposed by this subtitle for the taxable year an amount equal to the applicable percentage of so much of the qualified retirement savings contributions of the eligible individual for the taxable year as do not exceed \$2,000.

“(b) APPLICABLE PERCENTAGE.—For purposes of this section, the applicable percentage is the percentage determined in accordance with the following table:

Adjusted Gross Income						Applica- ble per- centage
Joint return		Head of a household		All other cases		
Over	Not over	Over	Not over	Over	Not over	
\$0	\$30,000	\$0	\$22,500	\$0	\$15,000	50
30,000	32,500	22,500	24,375	15,000	16,250	20
32,500	50,000	24,375	37,500	16,250	25,000	10
50,000		37,500		25,000		0

“(c) ELIGIBLE INDIVIDUAL.—For purposes of this section—

“(1) IN GENERAL.—The term ‘eligible individual’ means any individual if such individual has attained the age of 18 as of the close of the taxable year.

“(2) DEPENDENTS AND FULL-TIME STUDENTS NOT ELIGIBLE.—The term ‘eligible individual’ shall not include—

“(A) any individual with respect to whom a deduction under section 151 is allowed to another taxpayer for a taxable year beginning in the calendar year in which such individual’s taxable year begins, and

“(B) any individual who is a student (as defined in section 151(c)(4)).

“(d) QUALIFIED RETIREMENT SAVINGS CONTRIBUTIONS.—For purposes of this section—

“(1) IN GENERAL.—The term ‘qualified retirement savings contributions’ means, with respect to any taxable year, the sum of—

“(A) the amount of the qualified retirement contributions (as defined in section 219(e)) made by the eligible individual,

“(B) the amount of—

“(i) any elective deferrals (as defined in section 402(g)(3)) of such individual, and

“(ii) any elective deferral of compensation by such individual under an eligible deferred compensation plan (as defined in section 457(b)) of an eligible employer described in section 457(e)(1)(A), and

“(C) the amount of voluntary employee contributions by such individual to any qualified retirement plan (as defined in section 4974(c)).

“(2) REDUCTION FOR CERTAIN DISTRIBUTIONS.—

“(A) IN GENERAL.—The qualified retirement savings contributions determined under paragraph (1) shall be reduced (but not below zero) by the sum of—

“(i) any distribution from a qualified retirement plan (as defined in section 4974(c)), or from an eligible deferred compensation plan (as defined in section 457(b)), received by the individual during the testing period which is includible in gross income, and

“(ii) any distribution from a Roth IRA received by the individual during the testing period which is not a qualified rollover con-

tribution (as defined in section 408A(e)) to a Roth IRA.

“(B) TESTING PERIOD.—For purposes of subparagraph (A), the testing period, with respect to a taxable year, is the period which includes—

“(i) such taxable year,

“(ii) the 2 preceding taxable years, and

“(iii) the period after such taxable year and before the due date (including extensions) for filing the return of tax for such taxable year.

“(C) EXCEPTED DISTRIBUTIONS.—There shall not be taken into account under subparagraph (A)—

“(i) any distribution referred to in section 72(p), 401(k)(8), 401(m)(6), 402(g)(2), 404(k), or 408(d)(4), and

“(ii) any distribution to which section 408A(d)(3) applies.

“(D) TREATMENT OF DISTRIBUTIONS RECEIVED BY SPOUSE OF INDIVIDUAL.—For purposes of determining distributions received by an individual under subparagraph (A) for any taxable year, any distribution received by the spouse of such individual shall be treated as received by such individual if such individual and spouse file a joint return for such taxable year and for the taxable year during which the spouse receives the distribution.

“(e) ADJUSTED GROSS INCOME.—For purposes of this section, adjusted gross income shall be determined without regard to sections 911, 931, and 933.

“(f) INVESTMENT IN THE CONTRACT.—Notwithstanding any other provision of law, a qualified retirement savings contribution shall not fail to be included in determining the investment in the contract for purposes of section 72 by reason of the credit under this section.”

(b) CREDIT ALLOWED AGAINST REGULAR TAX AND ALTERNATIVE MINIMUM TAX.—

(1) IN GENERAL.—Subsection (a) of section 26 is amended by inserting “(other than the credit allowed by section 25B)” after “credits allowed by this subpart”.

(2) CONFORMING AMENDMENT.—Section 25B, as added by subsection (a), is amended by inserting after subsection (f) the following new subsection:

“(g) LIMITATION BASED ON AMOUNT OF TAX.—The aggregate credit allowed by this section for the taxable year shall not exceed the sum of—

“(1) the taxpayer’s regular tax liability for the taxable year reduced by the sum of the credits allowed by sections 21, 22, 23, 24, 25, and 25A, plus

“(2) the tax imposed by section 55 for such taxable year.”

(c) ANNUAL REPORT.—The Comptroller General of the United States shall submit a report annually to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate regarding the number of taxpayers receiving the credit allowed under section 25B of the Internal Revenue Code of 1986, as added by subsection (a).

(d) CONFORMING AMENDMENT.—The table of sections for subpart A of part IV of subchapter A of chapter 1 is amended by inserting after the item relating to section 25A the following new item:

“Sec. 25B. Elective deferrals and IRA contributions by certain individuals.”

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001, and before January 1, 2007.

**SEC. 209. CREDIT FOR QUALIFIED PENSION PLAN CONTRIBUTIONS OF SMALL EMPLOYERS.**

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business related credits) is amended by adding at the end the following new section:

**“SEC. 45E. SMALL EMPLOYER PENSION PLAN CONTRIBUTIONS.**

“(a) GENERAL RULE.—For purposes of section 38, in the case of an eligible employer, the small employer pension plan contribution credit determined under this section for any taxable year is an amount equal to 50 percent of the amount which would (but for subsection (f)(1)) be allowed as a deduction under section 404 for such taxable year for

qualified employer contributions made to any qualified retirement plan on behalf of any employee who is not a highly compensated employee.

“(b) CREDIT LIMITED TO 3 YEARS.—The credit allowable by this section shall be allowed only with respect to the period of 3 taxable years beginning with the first taxable year for which a credit is allowable with respect to a plan under this section.

“(c) QUALIFIED EMPLOYER CONTRIBUTION.—For purposes of this section—

“(1) DEFINED CONTRIBUTION PLANS.—In the case of a defined contribution plan, the term ‘qualified employer contribution’ means the amount of nonelective and matching contributions to the plan made by the employer on behalf of any employee who is not a highly compensated employee to the extent such amount does not exceed 3 percent of such employee’s compensation from the employer for the year.

“(2) DEFINED BENEFIT PLANS.—In the case of a defined benefit plan, the term ‘qualified employer contribution’ means the amount of employer contributions to the plan made on behalf of any employee who is not a highly compensated employee to the extent that the accrued benefit of such employee derived from employer contributions for the year does not exceed the equivalent (as determined under regulations prescribed by the Secretary and without regard to contributions and benefits under the Social Security Act) of 3 percent of such employee’s compensation from the employer for the year.

“(d) QUALIFIED RETIREMENT PLAN.—

“(1) IN GENERAL.—The term ‘qualified retirement plan’ means any plan described in section 401(a) which includes a trust exempt from tax under section 501(a) if the plan meets—

“(A) the contribution requirements of paragraph (2),

“(B) the vesting requirements of paragraph (3), and

“(C) the distribution requirements of paragraph (4).

“(2) CONTRIBUTION REQUIREMENTS.—

“(A) IN GENERAL.—The requirements of this paragraph are met if, under the plan—

“(i) the employer is required to make nonelective contributions of at least 1 percent of compensation (or the equivalent thereof in the case of a defined benefit plan) for each employee who is not a highly compensated employee who is eligible to participate in the plan, and

“(ii) allocations of nonelective employer contributions are either in equal dollar amounts for all employees covered by the plan or bear a uniform relationship to the total compensation, or the basic or regular rate of compensation, of the employees covered by the plan.

“(B) COMPENSATION LIMITATION.—The compensation taken into account under subparagraph (A) for any year shall not exceed the limitation in effect for such year under section 401(a)(17).

“(3) VESTING REQUIREMENTS.—The requirements of this paragraph are met if the plan satisfies the requirements of subparagraph (A) or (B).

“(A) 3-YEAR VESTING.—A plan satisfies the requirements of this subparagraph if an employee who has completed at least 3 years of service has a nonforfeitable right to 100 percent of the employee’s accrued benefit derived from employer contributions.

“(B) 5-YEAR GRADED VESTING.—A plan satisfies the requirements of this subparagraph if an employee has a nonforfeitable right to a percentage of the employee’s accrued benefit derived from employer contributions determined under the following table:

Years of service:	The nonforfeitable percentage is:
1 .....	20
2 .....	40
3 .....	60
4 .....	80
5 .....	100.

“(4) DISTRIBUTION REQUIREMENTS.—In the case of a profit-sharing or stock bonus plan, the requirements of this paragraph are met if, under the plan, qualified employer contributions are distributable only as provided in section 401(k)(2)(B).

“(e) OTHER DEFINITIONS.—For purposes of this section—

“(1) ELIGIBLE EMPLOYER.—

“(A) IN GENERAL.—The term ‘eligible employer’ means, with respect to any year, an employer which has no more than 50 employees who received at least \$5,000 of compensation from the employer for the preceding year.

“(B) REQUIREMENT FOR NEW QUALIFIED EMPLOYER PLANS.—Such term shall not include an employer if, during the 3-taxable year period immediately preceding the 1st taxable year for which the credit under this section is otherwise allowable for a qualified employer plan of the employer, the employer or any member of any controlled group including the employer (or any predecessor of either) established or maintained a qualified employer plan with respect to which contributions were made, or benefits were accrued, for substantially the same employees as are in the qualified employer plan.

“(2) HIGHLY COMPENSATED EMPLOYEE.—The term ‘highly compensated employee’ has the meaning given such term by section 414(q) (determined without regard to section 414(q)(1)(B)(ii)).

“(f) SPECIAL RULES.—

“(1) DISALLOWANCE OF DEDUCTION.—No deduction shall be allowed for that portion of the qualified employer contributions paid or incurred for the taxable year which is equal to the credit determined under subsection (a).

“(2) ELECTION NOT TO CLAIM CREDIT.—This section shall not apply to a taxpayer for any taxable year if such taxpayer elects to have this section not apply for such taxable year.

“(3) AGGREGATION RULES.—All persons treated as a single employer under subsection (a) or (b) of section 52, or subsection (n) or (o) of section 414, shall be treated as one person. All eligible employer plans shall be treated as 1 eligible employer plan.

“(g) RECAPTURE OF CREDIT ON FORFEITED CONTRIBUTIONS.—

“(1) IN GENERAL.—Except as provided in paragraph (2), if any accrued benefit which is forfeitable by reason of subsection (d)(3) is forfeited, the employer’s tax imposed by this chapter for the taxable year in which the forfeiture occurs shall be increased by 35 percent of the employer contributions from which such benefit is derived to the extent such contributions were taken into account in determining the credit under this section.

“(2) REALLOCATED CONTRIBUTIONS.—Paragraph (1) shall not apply to any contribution which is reallocated by the employer under the plan to employees who are not highly compensated employees.”

(b) CREDIT ALLOWED AS PART OF GENERAL BUSINESS CREDIT.—Section 38(b) (defining current year business credit) is amended by striking “plus” at the end of paragraph (12), by striking the period at the end of paragraph (13) and inserting “, plus”, and by adding at the end the following new paragraph: “(14) in the case of an eligible employer (as defined in section 45E(e)), the small employer pension plan contribution credit determined under section 45E(a).”

(c) CONFORMING AMENDMENTS.—

(1) Section 39(d) is amended by adding at the end the following new paragraph:

“(10) NO CARRYBACK OF SMALL EMPLOYER PENSION PLAN CONTRIBUTION CREDIT BEFORE JANUARY 1, 2002.—No portion of the unused business credit for any taxable year which is attributable to the small employer pension plan contribution credit determined under section 45E may be carried back to a taxable year beginning before January 1, 2002.”

(2) Subsection (c) of section 196 is amended by striking “and” at the end of paragraph (8), by striking the period at the end of paragraph (9) and inserting “, and”, and by adding at the end the following new paragraph:

“(10) the small employer pension plan contribution credit determined under section 45E(a).”

(3) The table of sections for subpart D of part IV of subchapter A of chapter 1 is amended by adding at the end the following new item:

“Sec. 45E. Small employer pension plan contributions.”

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to contributions paid or incurred in taxable years beginning after December 31, 2001.

#### SEC. 210. CREDIT FOR PENSION PLAN STARTUP COSTS OF SMALL EMPLOYERS.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business related credits), as amended by section 209, is amended by adding at the end the following new section:

##### “SEC. 45F. SMALL EMPLOYER PENSION PLAN STARTUP COSTS.

“(a) GENERAL RULE.—For purposes of section 38, in the case of an eligible employer, the small employer pension plan startup cost credit determined under this section for any taxable year is an amount equal to 50 percent of the qualified startup costs paid or incurred by the taxpayer during the taxable year.

“(b) DOLLAR LIMITATION.—The amount of the credit determined under this section for any taxable year shall not exceed—

“(1) \$500 for the first credit year and each of the 2 taxable years immediately following the first credit year, and

“(2) zero for any other taxable year.

“(c) ELIGIBLE EMPLOYER.—For purposes of this section—

“(1) IN GENERAL.—The term ‘eligible employer’ has the meaning given such term by section 408(p)(2)(C)(i).

“(2) REQUIREMENT FOR NEW QUALIFIED EMPLOYER PLANS.—Such term shall not include an employer if, during the 3-taxable year period immediately preceding the 1st taxable year for which the credit under this section is otherwise allowable for a qualified employer plan of the employer, the employer or any member of any controlled group including the employer (or any predecessor of either) established or maintained a qualified employer plan with respect to which contributions were made, or benefits were accrued, for substantially the same employees as are in the qualified employer plan.

“(d) OTHER DEFINITIONS.—For purposes of this section—

“(1) QUALIFIED STARTUP COSTS.—

“(A) IN GENERAL.—The term ‘qualified startup costs’ means any ordinary and necessary expenses of an eligible employer which are paid or incurred in connection with—

“(i) the establishment or administration of an eligible employer plan, or

“(ii) the retirement-related education of employees with respect to such plan.

“(B) PLAN MUST HAVE AT LEAST 1 PARTICIPANT.—Such term shall not include any expense in connection with a plan that does

not have at least 1 employee eligible to participate who is not a highly compensated employee.

“(2) **ELIGIBLE EMPLOYER PLAN.**—The term ‘eligible employer plan’ means a qualified employer plan within the meaning of section 4972(d).

“(3) **FIRST CREDIT YEAR.**—The term ‘first credit year’ means—

“(A) the taxable year which includes the date that the eligible employer plan to which such costs relate becomes effective, or

“(B) at the election of the eligible employer, the taxable year preceding the taxable year referred to in subparagraph (A).

“(e) **SPECIAL RULES.**—For purposes of this section—

“(1) **AGGREGATION RULES.**—All persons treated as a single employer under subsection (a) or (b) of section 52, or subsection (n) or (o) of section 414, shall be treated as one person. All eligible employer plans shall be treated as 1 eligible employer plan.

“(2) **DISALLOWANCE OF DEDUCTION.**—No deduction shall be allowed for that portion of the qualified startup costs paid or incurred for the taxable year which is equal to the credit determined under subsection (a).

“(3) **ELECTION NOT TO CLAIM CREDIT.**—This section shall not apply to a taxpayer for any taxable year if such taxpayer elects to have this section not apply for such taxable year.”

(b) **CREDIT ALLOWED AS PART OF GENERAL BUSINESS CREDIT.**—Section 38(b) (defining current year business credit), as amended by section 209, is amended by striking “plus” at the end of paragraph (13), by striking the period at the end of paragraph (14) and inserting “, plus”, and by adding at the end the following new paragraph:

“(15) in the case of an eligible employer (as defined in section 45E(c)), the small employer pension plan startup cost credit determined under section 45F(a).”

(c) **CONFORMING AMENDMENTS.**—

(1) Section 39(d), as amended by section 209(c), is amended by adding at the end the following new paragraph:

“(11) **NO CARRYBACK OF SMALL EMPLOYER PENSION PLAN STARTUP COST CREDIT BEFORE JANUARY 1, 2002.**—No portion of the unused business credit for any taxable year which is attributable to the small employer pension plan startup cost credit determined under section 45F may be carried back to a taxable year beginning before January 1, 2002.”

(2) Subsection (c) of section 196, as amended by section 209(c), is amended by striking “and” at the end of paragraph (9), by striking the period at the end of paragraph (10) and inserting “, and”, and by adding at the end the following new paragraph:

“(11) the small employer pension plan startup cost credit determined under section 45F(a).”

(3) The table of sections for subpart D of part IV of subchapter A of chapter 1, as amended by section 209(c), is amended by adding at the end the following new item:

“Sec. 45F. Small employer pension plan startup costs.”

(d) **EFFECTIVE DATE.**—The amendments made by this section shall apply to costs paid or incurred in taxable years beginning after December 31, 2001, with respect to qualified employer plans established after such date.

#### SEC. 211. ELIMINATION OF USER FEE FOR REQUESTS TO IRS REGARDING NEW PENSION PLANS.

(a) **ELIMINATION OF CERTAIN USER FEES.**—The Secretary of the Treasury or the Secretary's delegate shall not require payment of user fees under the program established under section 10511 of the Revenue Act of 1987 for requests to the Internal Revenue

Service for ruling letters, opinion letters, and determination letters or similar requests with respect to the qualified status of a new pension benefit plan or any trust which is part of the plan.

(b) **NEW PENSION BENEFIT PLAN.**—For purposes of this section—

(1) **IN GENERAL.**—The term “new pension benefit plan” means a pension, profit-sharing, stock bonus, annuity, or employee stock ownership plan which is maintained by one or more eligible employers if such employer (or any predecessor employer) has not made a prior request described in subsection (a) for such plan (or any predecessor plan).

(2) **ELIGIBLE EMPLOYER.**—The term “eligible employer” shall not include an employer if, during the 3-taxable year period immediately preceding the taxable year in which the request is made, the employer or any member of any controlled group including the employer (or any predecessor of either) established or maintained a qualified employer plan with respect to which contributions were made, or benefits were accrued for service, for substantially the same employees as are in the qualified employer plan.

(c) **EFFECTIVE DATE.**—The provisions of this section shall apply with respect to requests made after December 31, 2001.

### TITLE III—ENHANCING FAIRNESS FOR WOMEN

#### SEC. 301. CATCH-UP CONTRIBUTIONS FOR INDIVIDUALS AGE 50 OR OVER.

(a) **IN GENERAL.**—Section 414 (relating to definitions and special rules) is amended by adding at the end the following new subsection:

“(v) **CATCH-UP CONTRIBUTIONS FOR INDIVIDUALS AGE 50 OR OVER.**—

“(1) **IN GENERAL.**—An applicable employer plan shall not be treated as failing to meet any requirement of this title solely because the plan permits an eligible participant to make additional elective deferrals in any plan year.

“(2) **LIMITATION ON AMOUNT OF ADDITIONAL DEFERRALS.**—

“(A) **IN GENERAL.**—A plan shall not permit additional elective deferrals under paragraph (1) for any year in an amount greater than the lesser of—

“(i) the applicable percentage of the applicable dollar amount for such elective deferrals for such year, or

“(ii) the excess (if any) of—

“(I) the participant's compensation (as defined in section 415(c)(3)) for the year, over

“(II) any other elective deferrals of the participant for such year which are made without regard to this subsection.

“(B) **APPLICABLE PERCENTAGE.**—For purposes of this paragraph, the applicable percentage shall be determined in accordance with the following table:

<b>For taxable years beginning in:</b>	<b>The applicable percentage is:</b>
2002 .....	10
2003 .....	20
2004 .....	30
2005 .....	40
2006 and thereafter .....	50.

“(3) **TREATMENT OF CONTRIBUTIONS.**—In the case of any contribution to a plan under paragraph (1)—

“(A) such contribution shall not, with respect to the year in which the contribution is made—

“(i) be subject to any otherwise applicable limitation contained in section 402(g), 402(h), 403(b), 404(a), 404(h), 408(k), 408(p), 415, or 457, or

“(ii) be taken into account in applying such limitations to other contributions or benefits under such plan or any other such plan, and

“(B) such plan shall not be treated as failing to meet the requirements of section

401(a)(4), 401(a)(26), 401(k)(3), 401(k)(11), 401(k)(12), 401(m), 403(b)(12), 408(k), 408(p), 408B, 410(b), or 416 by reason of the making of (or the right to make) such contribution.

“(4) **ELIGIBLE PARTICIPANT.**—For purposes of this subsection, the term ‘eligible participant’ means, with respect to any plan year, a participant in a plan—

“(A) who has attained the age of 50 before the close of the plan year, and

“(B) with respect to whom no other elective deferrals may (without regard to this subsection) be made to the plan for the plan year by reason of the application of any limitation or other restriction described in paragraph (3) or comparable limitation or restriction contained in the terms of the plan.

“(5) **OTHER DEFINITIONS AND RULES.**—For purposes of this subsection—

“(A) **APPLICABLE DOLLAR AMOUNT.**—The term ‘applicable dollar amount’ means, with respect to any year, the amount in effect under section 402(g)(1)(B), 408(p)(2)(E)(i), or 457(e)(15)(A), whichever is applicable to an applicable employer plan, for such year.

“(B) **APPLICABLE EMPLOYER PLAN.**—The term ‘applicable employer plan’ means—

“(i) an employees’ trust described in section 401(a) which is exempt from tax under section 501(a),

“(ii) a plan under which amounts are contributed by an individual's employer for an annuity contract described in section 403(b),

“(iii) an eligible deferred compensation plan under section 457 of an eligible employer described in section 457(e)(1)(A), and

“(iv) an arrangement meeting the requirements of section 408 (k) or (p).

“(C) **ELECTIVE DEFERRAL.**—The term ‘elective deferral’ has the meaning given such term by subsection (u)(2)(C).

“(D) **EXCEPTION FOR SECTION 457 PLANS.**—This subsection shall not apply to an applicable employer plan described in subparagraph (B)(iii) for any year to which section 457(b)(3) applies.”

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to contributions in taxable years beginning after December 31, 2001.

#### SEC. 302. EQUITABLE TREATMENT FOR CONTRIBUTIONS OF EMPLOYEES TO DEFINED CONTRIBUTION PLANS.

(a) **EQUITABLE TREATMENT.**—

(1) **IN GENERAL.**—Subparagraph (B) of section 415(c)(1) (relating to limitation for defined contribution plans) is amended by striking “25 percent” and inserting “100 percent”.

(2) **APPLICATION TO SECTION 403(b).**—Section 403(b) is amended—

(A) by striking “the exclusion allowance for such taxable year” in paragraph (1) and inserting “the applicable limit under section 415”; and

(B) by striking paragraph (2); and

(C) by inserting “or any amount received by a former employee after the fifth taxable year following the taxable year in which such employee was terminated” before the period at the end of the second sentence of paragraph (3).

(3) **CONFORMING AMENDMENTS.**—

(A) Subsection (f) of section 72 is amended by striking “section 403(b)(2)(D)(iii)” and inserting “section 403(b)(2)(D)(iii), as in effect before the enactment of the Retirement Security and Savings Act of 2001”.

(B) Section 404(a)(10)(B) is amended by striking “, the exclusion allowance under section 403(b)(2),”.

(C) Section 415(a)(2) is amended by striking “, and the amount of the contribution for such portion shall reduce the exclusion allowance as provided in section 403(b)(2)”.

(D) Section 415(c)(3) is amended by adding at the end the following new subparagraph:

“(E) ANNUITY CONTRACTS.—In the case of an annuity contract described in section 403(b), the term ‘participant’s compensation’ means the participant’s includible compensation determined under section 403(b)(3).”

(E) Section 415(c) is amended by striking paragraph (4).

(F) Section 415(c)(7) is amended to read as follows:

“(7) CERTAIN CONTRIBUTIONS BY CHURCH PLANS NOT TREATED AS EXCEEDING LIMIT.—

“(A) IN GENERAL.—Notwithstanding any other provision of this subsection, at the election of a participant who is an employee of a church or a convention or association of churches, including an organization described in section 414(e)(3)(B)(ii), contributions and other additions for an annuity contract or retirement income account described in section 403(b) with respect to such participant, when expressed as an annual addition to such participant’s account, shall be treated as not exceeding the limitation of paragraph (1) if such annual addition is not in excess of \$10,000.

“(B) \$40,000 AGGREGATE LIMITATION.—The total amount of additions with respect to any participant which may be taken into account for purposes of this subparagraph for all years may not exceed \$40,000.

“(C) ANNUAL ADDITION.—For purposes of this paragraph, the term ‘annual addition’ has the meaning given such term by paragraph (2).”

(G) Subparagraph (B) of section 402(g)(7) (as redesignated by section 201(c)(3)) is amended by inserting before the period at the end the following: “(as in effect before the enactment of the Retirement Security and Savings Act of 2001).”

(H) Section 664(g) is amended—

(i) in paragraph (3)(E) by striking “limitations under section 415(c)” and inserting “applicable limitation under paragraph (7)”, and

(ii) by adding at the end the following new paragraph:

“(7) APPLICABLE LIMITATION.—

“(A) IN GENERAL.—For purposes of paragraph (3)(E), the applicable limitation under this paragraph with respect to a participant is an amount equal to the lesser of—

“(i) \$30,000, or

“(ii) 25 percent of the participant’s compensation (as defined in section 415(c)(3)).

“(B) COST-OF-LIVING ADJUSTMENT.—The Secretary shall adjust annually the \$30,000 amount under subparagraph (A)(i) at the same time and in the same manner as under section 415(d), except that the base period shall be the calendar quarter beginning October 1, 1993, and any increase under this subparagraph which is not a multiple of \$5,000 shall be rounded to the next lowest multiple of \$5,000.”

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to years beginning after December 31, 2001.

(b) SPECIAL RULES FOR SECTIONS 403(b) AND 408.—

(1) IN GENERAL.—Subsection (k) of section 415 is amended by adding at the end the following new paragraph:

“(4) SPECIAL RULES FOR SECTIONS 403(b) AND 408.—For purposes of this section, any annuity contract described in section 403(b) for the benefit of a participant shall be treated as a defined contribution plan maintained by each employer with respect to which the participant has the control required under subsection (b) or (c) of section 414 (as modified by subsection (h)). For purposes of this section, any contribution by an employer to a simplified employee pension plan for an individual for a taxable year shall be treated as an employer contribution to a defined contribution plan for such individual for such year.”

(2) EFFECTIVE DATE.—

(A) IN GENERAL.—The amendment made by paragraph (1) shall apply to limitation years beginning after December 31, 2000.

(B) EXCLUSION ALLOWANCE.—Effective for limitation years beginning in 2001, in the case of any annuity contract described in section 403(b) of the Internal Revenue Code of 1986, the amount of the contribution disqualified by reason of section 415(g) of such Code shall reduce the exclusion allowance as provided in section 403(b)(2) of such Code.

(3) MODIFICATION OF 403(b) EXCLUSION ALLOWANCE TO CONFORM TO 415 MODIFICATION.—The Secretary of the Treasury shall modify the regulations regarding the exclusion allowance under section 403(b)(2) of the Internal Revenue Code of 1986 to render void the requirement that contributions to a defined benefit pension plan be treated as previously excluded amounts for purposes of the exclusion allowance. For taxable years beginning after December 31, 2000, such regulations shall be applied as if such requirement were void.

(C) DEFERRED COMPENSATION PLANS OF STATE AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANIZATIONS.—

(1) IN GENERAL.—Subparagraph (B) of section 457(b)(2) (relating to salary limitation on eligible deferred compensation plans) is amended by striking “33½ percent” and inserting “100 percent”.

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to years beginning after December 31, 2001.

#### SEC. 303. FASTER VESTING OF CERTAIN EMPLOYER MATCHING CONTRIBUTIONS.

(a) IN GENERAL.—Section 411(a) (relating to minimum vesting standards) is amended—

(1) in paragraph (2), by striking “A plan” and inserting “Except as provided in paragraph (12), a plan”; and

(2) by adding at the end the following:

“(12) FASTER VESTING FOR MATCHING CONTRIBUTIONS.—In the case of matching contributions (as defined in section 401(m)(4)(A)), paragraph (2) shall be applied—

“(A) by substituting ‘3 years’ for ‘5 years’ in subparagraph (A), and

“(B) by substituting the following table for the table contained in subparagraph (B):

Years of service:	The nonforfeitable percentage is:
2 .....	20
3 .....	40
4 .....	60
5 .....	80
6 .....	100.”

(b) AMENDMENT OF ERISA.—Section 203(a) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(a)) is amended—

(1) in paragraph (2), by striking “A plan” and inserting “Except as provided in paragraph (4), a plan”, and

(2) by adding at the end the following:

“(4) In the case of matching contributions (as defined in section 401(m)(4)(A) of the Internal Revenue Code of 1986), paragraph (2) shall be applied—

“(A) by substituting ‘3 years’ for ‘5 years’ in subparagraph (A), and

“(B) by substituting the following table for the table contained in subparagraph (B):

Years of service:	The nonforfeitable percentage is:
2 .....	20
3 .....	40
4 .....	60
5 .....	80
6 .....	100.”

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to contributions for plan years beginning after December 31, 2001.

(2) COLLECTIVE BARGAINING AGREEMENTS.—

In the case of a plan maintained pursuant to one or more collective bargaining agreements between employee representatives and one or more employers ratified by the date of the enactment of this Act, the amendments made by this section shall not apply to contributions on behalf of employees covered by any such agreement for plan years beginning before the earlier of—

(A) the later of—

(i) the date on which the last of such collective bargaining agreements terminates (determined without regard to any extension thereof on or after such date of the enactment); or

(ii) January 1, 2002; or

(B) January 1, 2006.

(3) SERVICE REQUIRED.—With respect to any plan, the amendments made by this section shall not apply to any employee before the date that such employee has 1 hour of service under such plan in any plan year to which the amendments made by this section apply.

#### SEC. 304. MINIMUM DISTRIBUTION RULES.

(a) REPEAL OF RULE WHERE DISTRIBUTIONS HAD BEGUN BEFORE DEATH OCCURS.—

(1) IN GENERAL.—Subparagraph (B) of section 401(a)(9) is amended by striking clause (i) and redesignating clauses (ii), (iii), and (iv) as clauses (i), (ii), and (iii), respectively.

(2) CONFORMING CHANGES.—

(A) Clause (i) of section 401(a)(9)(B) (as so redesignated) is amended—

(i) by striking “FOR OTHER CASES” in the heading; and

(ii) by striking “the distribution of the employee’s interest has begun in accordance with subparagraph (A)(ii)” and inserting “his entire interest has been distributed to him”.

(B) Clause (ii) of section 401(a)(9)(B) (as so redesignated) is amended by striking “clause (ii)” and inserting “clause (i)”.

(C) Clause (iii) of section 401(a)(9)(B) (as so redesignated) is amended—

(i) by striking “clause (iii)(I)” and inserting “clause (ii)(I)”; and

(ii) by striking “clause (iii)(III)” in subclause (I) and inserting “clause (ii)(III)”; and

(iii) by striking “the date on which the employee would have attained age 70½,” in subclause (I) and inserting “April 1 of the calendar year following the calendar year in which the spouse attains 70½,”; and

(iv) by striking “the distributions to such spouse begin,” in subclause (II) and inserting “his entire interest has been distributed to him.”

(3) EFFECTIVE DATE.—

(A) IN GENERAL.—Except as provided in subparagraph (B), the amendments made by this subsection shall apply to years beginning after December 31, 2001.

(B) DISTRIBUTIONS TO SURVIVING SPOUSE.—

(i) IN GENERAL.—In the case of an employee described in clause (ii), distributions to the surviving spouse of the employee shall not be required to commence prior to the date on which such distributions would have been required to begin under section 401(a)(9)(B) of the Internal Revenue Code of 1986 (as in effect on the day before the date of the enactment of this Act).

(ii) CERTAIN EMPLOYEES.—An employee is described in this clause if such employee dies before—

(I) the date of the enactment of this Act, and

(II) the required beginning date (within the meaning of section 401(a)(9)(C) of the Internal Revenue Code of 1986) of the employee.

(b) REDUCTION IN EXCISE TAX.—

(1) IN GENERAL.—Subsection (a) of section 4974 is amended by striking “50 percent” and inserting “10 percent”.

(2) **EFFECTIVE DATE.**—The amendment made by this subsection shall apply to years beginning after December 31, 2001.

**SEC. 305. CLARIFICATION OF TAX TREATMENT OF DIVISION OF SECTION 457 PLAN BENEFITS UPON DIVORCE.**

(a) **IN GENERAL.**—Section 414(p)(11) (relating to application of rules to governmental and church plans) is amended—

(1) by inserting “or an eligible deferred compensation plan (within the meaning of section 457(b))” after “subsection (e)”; and

(2) in the heading, by striking “GOVERNMENTAL AND CHURCH PLANS” and inserting “CERTAIN OTHER PLANS”.

(b) **WAIVER OF CERTAIN DISTRIBUTION REQUIREMENTS.**—Paragraph (10) of section 414(p) is amended by striking “and section 409(d)” and inserting “section 409(d), and section 457(d)”.

(c) **TAX TREATMENT OF PAYMENTS FROM A SECTION 457 PLAN.**—Subsection (p) of section 414 is amended by redesignating paragraph (12) as paragraph (13) and inserting after paragraph (11) the following new paragraph:

“(12) **TAX TREATMENT OF PAYMENTS FROM A SECTION 457 PLAN.**—If a distribution or payment from an eligible deferred compensation plan described in section 457(b) is made pursuant to a qualified domestic relations order, rules similar to the rules of section 402(e)(1)(A) shall apply to such distribution or payment.”.

(d) **EFFECTIVE DATE.**—

(1) **IN GENERAL.**—The amendment made by subsection (c) shall apply to transfers, distributions, and payments made after December 31, 2001.

(2) **AMENDMENTS RELATING TO ASSIGNMENTS IN DIVORCE, ETC., PROCEEDINGS.**—The amendments made by subsections (a) and (b) shall take effect on January 1, 2002, except that in the case of a domestic relations order entered before such date, the plan administrator—

(A) shall treat such order as a qualified domestic relations order if such administrator is paying benefits pursuant to such order on such date, and

(B) may treat any other such order entered before such date as a qualified domestic relations order even if such order does not meet the requirements of such amendments.

**SEC. 306. PROVISIONS RELATING TO HARDSHIP DISTRIBUTIONS.**

(a) **SAFE HARBOR RELIEF.**—

(1) **IN GENERAL.**—The Secretary of the Treasury shall revise the regulations relating to hardship distributions under section 401(k)(2)(B)(i)(IV) of the Internal Revenue Code of 1986 to provide that the period an employee is prohibited from making elective and employee contributions in order for a distribution to be deemed necessary to satisfy financial need shall be equal to 6 months.

(2) **EFFECTIVE DATE.**—The revised regulations under this subsection shall apply to years beginning after December 31, 2001.

(b) **HARDSHIP DISTRIBUTIONS NOT TREATED AS ELIGIBLE ROLLOVER DISTRIBUTIONS.**—

(1) **MODIFICATION OF DEFINITION OF ELIGIBLE ROLLOVER.**—Section 402(c)(4)(C) (relating to eligible rollover distribution) is amended by striking “described in section 401(k)(2)(B)(i)(IV)” and inserting “under the terms of the plan”.

(2) **EFFECTIVE DATE.**—The amendment made by this subsection shall apply to distributions made after December 31, 2002, unless a plan administrator elects to apply such amendment to distributions made after December 31, 2001.

**SEC. 307. WAIVER OF TAX ON NONDEDUCTIBLE CONTRIBUTIONS FOR DOMESTIC OR SIMILAR WORKERS.**

(a) **IN GENERAL.**—Section 4972(c)(6) (relating to exceptions to nondeductible contribu-

tions), as amended by section 502, is amended by striking “or” at the end of subparagraph (A), by striking the period and inserting “, or” at the end of subparagraph (B), and by inserting after subparagraph (B) the following new subparagraph:

“(C) so much of the contributions to a simple retirement account (within the meaning of section 408(p)) or a simple plan (within the meaning of section 401(k)(11)) which are not deductible when contributed solely because such contributions are not made in connection with a trade or business of the employer.”

(b) **EXCLUSION OF CERTAIN CONTRIBUTIONS.**—Section 4972(c)(6), as amended by subsection (a), is amended by adding at the end the following new sentence: “Subparagraph (C) shall not apply to contributions made on behalf of the employer or a member of the employer’s family (as defined in section 447(e)(1)).”

(c) **NO INFERENCE.**—Nothing in the amendments made by this section shall be construed to infer the proper treatment of nondeductible contributions under the laws in effect before such amendments.

(d) **EFFECTIVE DATE.**—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

**TITLE IV—INCREASING PORTABILITY FOR PARTICIPANTS**

**SEC. 401. ROLLOVERS ALLOWED AMONG VARIOUS TYPES OF PLANS.**

(a) **ROLLOVERS FROM AND TO SECTION 457 PLANS.**—

(1) **ROLLOVERS FROM SECTION 457 PLANS.**—

(A) **IN GENERAL.**—Section 457(e) (relating to other definitions and special rules) is amended by adding at the end the following:

“(16) **ROLLOVER AMOUNTS.**—

“(A) **GENERAL RULE.**—In the case of an eligible deferred compensation plan established and maintained by an employer described in subsection (e)(1)(A), if—

“(i) any portion of the balance to the credit of an employee in such plan is paid to such employee in an eligible rollover distribution (within the meaning of section 402(c)(4) without regard to subparagraph (C) thereof),

“(ii) the employee transfers any portion of the property such employee receives in such distribution to an eligible retirement plan described in section 402(c)(8)(B), and

“(iii) in the case of a distribution of property other than money, the amount so transferred consists of the property distributed, then such distribution (to the extent so transferred) shall not be includible in gross income for the taxable year in which paid.

“(B) **CERTAIN RULES MADE APPLICABLE.**—The rules of paragraphs (2) through (7) and (9) of section 402(c) and section 402(f) shall apply for purposes of subparagraph (A).

“(C) **REPORTING.**—Rollovers under this paragraph shall be reported to the Secretary in the same manner as rollovers from qualified retirement plans (as defined in section 4974(c)).”

(B) **DEFERRAL LIMIT DETERMINED WITHOUT REGARD TO ROLLOVER AMOUNTS.**—Section 457(b)(2) (defining eligible deferred compensation plan) is amended by inserting “(other than rollover amounts)” after “taxable year”.

(C) **DIRECT ROLLOVER.**—Paragraph (1) of section 457(d) is amended by striking “and” at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting “, and”, and by inserting after subparagraph (B) the following:

“(C) in the case of a plan maintained by an employer described in subsection (e)(1)(A), the plan meets requirements similar to the requirements of section 401(a)(31).

Any amount transferred in a direct trustee-to-trustee transfer in accordance with sec-

tion 401(a)(31) shall not be includible in gross income for the taxable year of transfer.”.

(D) **WITHHOLDING.**—

(i) Paragraph (12) of section 3401(a) is amended by adding at the end the following: “(E) under or to an eligible deferred compensation plan which, at the time of such payment, is a plan described in section 457(b) which is maintained by an eligible employer described in section 457(e)(1)(A), or”.

(ii) Paragraph (3) of section 3405(c) is amended to read as follows:

“(3) **ELIGIBLE ROLLOVER DISTRIBUTION.**—For purposes of this subsection, the term ‘eligible rollover distribution’ has the meaning given such term by section 402(f)(2)(A).”.

(iii) **LIABILITY FOR WITHHOLDING.**—Subparagraph (B) of section 3405(d)(2) is amended by striking “or” at the end of clause (ii), by striking the period at the end of clause (iii) and inserting “, or”, and by adding at the end the following:

“(iv) section 457(b) and which is maintained by an eligible employer described in section 457(e)(1)(A).”.

(2) **ROLLOVERS TO SECTION 457 PLANS.**—

(A) **IN GENERAL.**—Section 402(c)(8)(B) (defining eligible retirement plan) is amended by striking “and” at the end of clause (iii), by striking the period at the end of clause (iv) and inserting “, and”, and by inserting after clause (iv) the following new clause:

“(v) an eligible deferred compensation plan described in section 457(b) which is maintained by an eligible employer described in section 457(e)(1)(A).”.

(B) **SEPARATE ACCOUNTING.**—Section 402(c) is amended by adding at the end the following new paragraph:

“(11) **SEPARATE ACCOUNTING.**—Unless a plan described in clause (v) of paragraph (8)(B) agrees to separately account for amounts rolled into such plan from eligible retirement plans not described in such clause, the plan described in such clause may not accept transfers or rollovers from such retirement plans.”.

(C) **10 PERCENT ADDITIONAL TAX.**—Subsection (t) of section 72 (relating to 10-percent additional tax on early distributions from qualified retirement plans) is amended by adding at the end the following new paragraph:

“(9) **SPECIAL RULE FOR ROLLOVERS TO SECTION 457 PLANS.**—For purposes of this subsection, a distribution from an eligible deferred compensation plan (as defined in section 457(b)) of an eligible employer described in section 457(e)(1)(A) shall be treated as a distribution from a qualified retirement plan described in 4974(c)(1) to the extent that such distribution is attributable to an amount transferred to an eligible deferred compensation plan from a qualified retirement plan (as defined in section 4974(c)).”.

(b) **ALLOWANCE OF ROLLOVERS FROM AND TO 403(b) PLANS.**—

(1) **ROLLOVERS FROM SECTION 403(b) PLANS.**—Section 403(b)(8)(A)(ii) (relating to rollover amounts) is amended by striking “such distribution” and all that follows and inserting “such distribution to an eligible retirement plan described in section 402(c)(8)(B), and”.

(2) **ROLLOVERS TO SECTION 403(b) PLANS.**—Section 402(c)(8)(B) (defining eligible retirement plan), as amended by subsection (a), is amended by striking “and” at the end of clause (iv), by striking the period at the end of clause (v) and inserting “, and”, and by inserting after clause (v) the following new clause:

“(vi) an annuity contract described in section 403(b).”.

(c) **EXPANDED EXPLANATION TO RECIPIENTS OF ROLLOVER DISTRIBUTIONS.**—Paragraph (1) of section 402(f) (relating to written explanation to recipients of distributions eligible

for rollover treatment) is amended by striking “and” at the end of subparagraph (C), by striking the period at the end of subparagraph (D) and inserting “, and”, and by adding at the end the following new subparagraph:

“(E) of the provisions under which distributions from the eligible retirement plan receiving the distribution may be subject to restrictions and tax consequences which are different from those applicable to distributions from the plan making such distribution.”.

(d) SPOUSAL ROLLOVERS.—Section 402(c)(9) (relating to rollover where spouse receives distribution after death of employee) is amended by striking “; except that” and all that follows up to the end period.

(e) CONFORMING AMENDMENTS.—

(1) Section 72(o)(4) is amended by striking “and 408(d)(3)” and inserting “403(b)(8), 408(d)(3), and 457(e)(16)”.

(2) Section 219(d)(2) is amended by striking “or 408(d)(3)” and inserting “408(d)(3), or 457(e)(16)”.

(3) Section 401(a)(31)(B) is amended by striking “and 403(a)(4)” and inserting “, 403(a)(4), 403(b)(8), and 457(e)(16)”.

(4) Subparagraph (A) of section 402(f)(2) is amended by striking “or paragraph (4) of section 403(a)” and inserting “, paragraph (4) of section 403(a), subparagraph (A) of section 403(b)(8), or subparagraph (A) of section 457(e)(16)”.

(5) Paragraph (1) of section 402(f) is amended by striking “from an eligible retirement plan”.

(6) Subparagraphs (A) and (B) of section 402(f)(1) are amended by striking “another eligible retirement plan” and inserting “an eligible retirement plan”.

(7) Subparagraph (B) of section 403(b)(8) is amended to read as follows:

“(B) CERTAIN RULES MADE APPLICABLE.—The rules of paragraphs (2) through (7) and (9) of section 402(c) and section 402(f) shall apply for purposes of subparagraph (A), except that section 402(f) shall be applied to the payor in lieu of the plan administrator.”.

(8) Section 408(a)(1) is amended by striking “or 403(b)(8),” and inserting “403(b)(8), or 457(e)(16)”.

(9) Subparagraphs (A) and (B) of section 415(b)(2) are each amended by striking “and 408(d)(3)” and inserting “403(b)(8), 408(d)(3), and 457(e)(16)”.

(10) Section 415(c)(2) is amended by striking “and 408(d)(3)” and inserting “408(d)(3), and 457(e)(16)”.

(11) Section 4973(b)(1)(A) is amended by striking “or 408(d)(3)” and inserting “408(d)(3), or 457(e)(16)”.

(f) EFFECTIVE DATE; SPECIAL RULE.—

(1) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2001.

(2) SPECIAL RULE.—Notwithstanding any other provision of law, subsections (h)(3) and (h)(5) of section 1122 of the Tax Reform Act of 1986 shall not apply to any distribution from an eligible retirement plan (as defined in clause (iii) or (iv) of section 402(c)(8)(B) of the Internal Revenue Code of 1986) on behalf of an individual if there was a rollover to such plan on behalf of such individual which is permitted solely by reason of any amendment made by this section.

#### SEC. 402. ROLLOVERS OF IRAS INTO WORKPLACE RETIREMENT PLANS.

(a) IN GENERAL.—Subparagraph (A) of section 408(d)(3) (relating to rollover amounts) is amended by adding “or” at the end of clause (i), by striking clauses (ii) and (iii), and by adding at the end the following:

“(ii) the entire amount received (including money and any other property) is paid into an eligible retirement plan for the benefit of such individual not later than the 60th day

after the date on which the payment or distribution is received, except that the maximum amount which may be paid into such plan may not exceed the portion of the amount received which is includible in gross income (determined without regard to this paragraph).

For purposes of clause (ii), the term ‘eligible retirement plan’ means an eligible retirement plan described in clause (iii), (iv), (v), or (vi) of section 402(c)(8)(B).”.

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (1) of section 403(b) is amended by striking “section 408(d)(3)(A)(iii)” and inserting “section 408(d)(3)(A)(ii)”.

(2) Clause (i) of section 408(d)(3)(D) is amended by striking “(i), (ii), or (iii)” and inserting “(i) or (ii)”.

(3) Subparagraph (G) of section 408(d)(3) is amended to read as follows:

“(G) SIMPLE RETIREMENT ACCOUNTS.—In the case of any payment or distribution out of a simple retirement account (as defined in subsection (p)) to which section 72(t)(6) applies, this paragraph shall not apply unless such payment or distribution is paid into another simple retirement account.”.

(c) EFFECTIVE DATE; SPECIAL RULE.—

(1) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2001.

(2) SPECIAL RULE.—Notwithstanding any other provision of law, subsections (h)(3) and (h)(5) of section 1122 of the Tax Reform Act of 1986 shall not apply to any distribution from an eligible retirement plan (as defined in clause (iii) or (iv) of section 402(c)(8)(B) of the Internal Revenue Code of 1986) on behalf of an individual if there was a rollover to such plan on behalf of such individual which is permitted solely by reason of the amendments made by this section.

#### SEC. 403. ROLLOVERS OF AFTER-TAX CONTRIBUTIONS.

(a) ROLLOVERS FROM EXEMPT TRUSTS.—Paragraph (2) of section 402(c) (relating to maximum amount which may be rolled over) is amended by adding at the end the following: “The preceding sentence shall not apply to such distribution to the extent—

“(A) such portion is transferred in a direct trustee-to-trustee transfer to a qualified trust which is part of a plan which is a defined contribution plan and which agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible, or

“(B) such portion is transferred to an eligible retirement plan described in clause (i) or (ii) of paragraph (8)(B).”.

(b) OPTIONAL DIRECT TRANSFER OF ELIGIBLE ROLLOVER DISTRIBUTIONS.—Subparagraph (B) of section 401(a)(31) (relating to limitation) is amended by adding at the end the following: “The preceding sentence shall not apply to such distribution if the plan to which such distribution is transferred—

“(i) agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible, or

“(ii) is an eligible retirement plan described in clause (i) or (ii) of section 402(c)(8)(B).”.

(c) RULES FOR APPLYING SECTION 72 TO IRAS.—Paragraph (3) of section 408(d) (relating to special rules for applying section 72) is amended by inserting at the end the following:

“(H) APPLICATION OF SECTION 72.—

“(I) IN GENERAL.—If—

“(I) a distribution is made from an individual retirement plan, and

“(II) a rollover contribution is made to an eligible retirement plan described in section 402(c)(8)(B)(iii), (iv), (v), or (vi) with respect to all or part of such distribution,

then, notwithstanding paragraph (2), the rules of clause (ii) shall apply for purposes of applying section 72.

“(ii) APPLICABLE RULES.—In the case of a distribution described in clause (i)—

“(I) section 72 shall be applied separately to such distribution,

“(II) notwithstanding the pro rata allocation of income on, and investment in, the contract to distributions under section 72, the portion of such distribution rolled over to an eligible retirement plan described in clause (i) shall be treated as from income on the contract (to the extent of the aggregate income on the contract from all individual retirement plans of the distributee), and

“(III) appropriate adjustments shall be made in applying section 72 to other distributions in such taxable year and subsequent taxable years.”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions made after December 31, 2001.

#### SEC. 404. HARDSHIP EXCEPTION TO 60-DAY RULE.

(a) EXEMPT TRUSTS.—Paragraph (3) of section 402(c) (relating to transfer must be made within 60 days of receipt) is amended to read as follows:

“(3) TRANSFER MUST BE MADE WITHIN 60 DAYS OF RECEIPT.—

“(A) IN GENERAL.—Except as provided in subparagraph (B), paragraph (1) shall not apply to any transfer of a distribution made after the 60th day following the day on which the distributee received the property distributed.

“(B) HARDSHIP EXCEPTION.—The Secretary may waive the 60-day requirement under subparagraph (A) where the failure to waive such requirement would be against equity or good conscience, including casualty, disaster, or other events beyond the reasonable control of the individual subject to such requirement.”.

(b) IRAS.—Paragraph (3) of section 408(d) (relating to rollover contributions), as amended by section 403, is amended by adding after subparagraph (H) the following new subparagraph:

“(I) WAIVER OF 60-DAY REQUIREMENT.—The Secretary may waive the 60-day requirement under subparagraphs (A) and (D) where the failure to waive such requirement would be against equity or good conscience, including casualty, disaster, or other events beyond the reasonable control of the individual subject to such requirement.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2001.

#### SEC. 405. TREATMENT OF FORMS OF DISTRIBUTION.

(a) PLAN TRANSFERS.—

(1) AMENDMENT OF INTERNAL REVENUE CODE.—Paragraph (6) of section 411(d) (relating to accrued benefit not to be decreased by amendment) is amended by adding at the end the following:

“(D) PLAN TRANSFERS.—

“(i) IN GENERAL.—A defined contribution plan (in this subparagraph referred to as the ‘transferee plan’) shall not be treated as failing to meet the requirements of this subsection merely because the transferee plan does not provide some or all of the forms of distribution previously available under another defined contribution plan (in this subparagraph referred to as the ‘transferor plan’) to the extent that—

“(I) the forms of distribution previously available under the transferor plan applied to the account of a participant or beneficiary



under the transferor plan that was transferred from the transferor plan to the transferee plan pursuant to a direct transfer rather than pursuant to a distribution from the transferor plan.

“(II) the terms of both the transferor plan and the transferee plan authorize the transfer described in subclause (I).

“(III) the transfer described in subclause (I) was made pursuant to a voluntary election by the participant or beneficiary whose account was transferred to the transferee plan.

“(IV) the election described in subclause (III) was made after the participant or beneficiary received a notice describing the consequences of making the election, and

“(V) the transferee plan allows the participant or beneficiary described in subclause (III) to receive any distribution to which the participant or beneficiary is entitled under the transferee plan in the form of a single sum distribution.

“(i) SPECIAL RULE FOR MERGERS, ETC.—Clause (i) shall apply to plan mergers and other transactions having the effect of a direct transfer, including consolidations of benefits attributable to different employers within a multiple employer plan.”.

(2) AMENDMENT OF ERISA.—Section 204(g) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1054(g)) is amended by adding at the end the following:

“(4)(A) A defined contribution plan (in this subparagraph referred to as the ‘transferee plan’) shall not be treated as failing to meet the requirements of this subsection merely because the transferee plan does not provide some or all of the forms of distribution previously available under another defined contribution plan (in this subparagraph referred to as the ‘transferor plan’) to the extent that—

“(i) the forms of distribution previously available under the transferor plan applied to the account of a participant or beneficiary under the transferor plan that was transferred from the transferor plan to the transferee plan pursuant to a direct transfer rather than pursuant to a distribution from the transferor plan;

“(ii) the terms of both the transferor plan and the transferee plan authorize the transfer described in clause (i);

“(iii) the transfer described in clause (i) was made pursuant to a voluntary election by the participant or beneficiary whose account was transferred to the transferee plan;

“(iv) the election described in clause (iii) was made after the participant or beneficiary received a notice describing the consequences of making the election; and

“(v) the transferee plan allows the participant or beneficiary described in clause (iii) to receive any distribution to which the participant or beneficiary is entitled under the transferee plan in the form of a single sum distribution.

“(B) Subparagraph (A) shall apply to plan mergers and other transactions having the effect of a direct transfer, including consolidations of benefits attributable to different employers within a multiple employer plan.”.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to years beginning after December 31, 2001.

(b) REGULATIONS.—

(1) AMENDMENT OF INTERNAL REVENUE CODE.—The last sentence of paragraph (6)(B) of section 411(d) (relating to accrued benefit not to be decreased by amendment) is amended to read as follows: “The Secretary shall by regulations provide that this subparagraph shall not apply to any plan amendment which reduces or eliminates benefits or subsidies which create significant burdens or complexities for the plan and plan

participants, unless such amendment adversely affects the rights of any participant in a more than de minimis manner.”.

(2) AMENDMENT OF ERISA.—The last sentence of section 204(g)(2) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1054(g)(2)) is amended to read as follows: “The Secretary of the Treasury shall by regulations provide that this paragraph shall not apply to any plan amendment which reduces or eliminates benefits or subsidies which create significant burdens or complexities for the plan and plan participants, unless such amendment adversely affects the rights of any participant in a more than de minimis manner.”.

(3) SECRETARY DIRECTED.—Not later than December 31, 2002, the Secretary of the Treasury is directed to issue regulations under section 411(d)(6) of the Internal Revenue Code of 1986 and section 204(g) of the Employee Retirement Income Security Act of 1974, including the regulations required by the amendment made by this subsection. Such regulations shall apply to plan years beginning after December 31, 2002, or such earlier date as is specified by the Secretary of the Treasury.

#### SEC. 406. RATIONALIZATION OF RESTRICTIONS ON DISTRIBUTIONS.

(a) MODIFICATION OF SAME DESK EXCEPTION.—

(1) SECTION 401(k).—

(A) Section 401(k)(2)(B)(i)(I) (relating to qualified cash or deferred arrangements) is amended by striking “separation from service” and inserting “severance from employment”.

(B) Subparagraph (A) of section 401(k)(10) (relating to distributions upon termination of plan or disposition of assets or subsidiary) is amended to read as follows:

“(A) IN GENERAL.—An event described in this subparagraph is the termination of the plan without establishment or maintenance of another defined contribution plan (other than an employee stock ownership plan as defined in section 4975(e)(7)).”.

(C) Section 401(k)(10) is amended—

(i) in subparagraph (B)—

(I) by striking “An event” in clause (i) and inserting “A termination”; and

(II) by striking “the event” in clause (i) and inserting “the termination”;

(ii) by striking subparagraph (C); and

(iii) by striking “OR DISPOSITION OF ASSETS OR SUBSIDIARY” in the heading.

(2) SECTION 403(b).—

(A) Paragraphs (7)(A)(ii) and (11)(A) of section 403(b) are each amended by striking “separates from service” and inserting “has a severance from employment”.

(B) The heading for paragraph (11) of section 403(b) is amended by striking “SEPARATION FROM SERVICE” and inserting “SEVERANCE FROM EMPLOYMENT”.

(3) SECTION 457.—Clause (ii) of section 457(d)(1)(A) is amended by striking “is separated from service” and inserting “has a severance from employment”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2001.

#### SEC. 407. PURCHASE OF SERVICE CREDIT IN GOVERNMENTAL DEFINED BENEFIT PLANS.

(a) 403(b) PLANS.—Subsection (b) of section 403 is amended by adding at the end the following new paragraph:

“(13) TRUSTEE-TO-TRUSTEE TRANSFERS TO PURCHASE PERMISSIVE SERVICE CREDIT.—No amount shall be includible in gross income by reason of a direct trustee-to-trustee transfer to a defined benefit governmental plan (as defined in section 414(d)) if such transfer is—

“(A) for the purchase of permissive service credit (as defined in section 415(n)(3)(A)) under such plan, or

“(B) a repayment to which section 415 does not apply by reason of subsection (k)(3) thereof.”.

(b) 457 PLANS.—Subsection (e) of section 457, as amended by section 401, is amended by adding after paragraph (16) the following new paragraph:

“(17) TRUSTEE-TO-TRUSTEE TRANSFERS TO PURCHASE PERMISSIVE SERVICE CREDIT.—No amount shall be includible in gross income by reason of a direct trustee-to-trustee transfer to a defined benefit governmental plan (as defined in section 414(d)) if such transfer is—

“(A) for the purchase of permissive service credit (as defined in section 415(n)(3)(A)) under such plan, or

“(B) a repayment to which section 415 does not apply by reason of subsection (k)(3) thereof.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to trustee-to-trustee transfers after December 31, 2001.

#### SEC. 408. EMPLOYERS MAY DISREGARD ROLLOVERS FOR PURPOSES OF CASH-OUT AMOUNTS.

(a) QUALIFIED PLANS.—

(1) AMENDMENT OF INTERNAL REVENUE CODE.—Section 411(a)(11) (relating to restrictions on certain mandatory distributions) is amended by adding at the end the following:

“(D) SPECIAL RULE FOR ROLLOVER CONTRIBUTIONS.—A plan shall not fail to meet the requirements of this paragraph if, under the terms of the plan, the present value of the nonforfeitable accrued benefit is determined without regard to that portion of such benefit which is attributable to rollover contributions (and earnings allocable thereto). For purposes of this subparagraph, the term ‘rollover contributions’ means any rollover contribution under sections 402(c), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii), and 457(e)(16).”.

(2) AMENDMENT OF ERISA.—Section 203(e) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(c)) is amended by adding at the end the following:

“(4) A plan shall not fail to meet the requirements of this subsection if, under the terms of the plan, the present value of the nonforfeitable accrued benefit is determined without regard to that portion of such benefit which is attributable to rollover contributions (and earnings allocable thereto). For purposes of this subparagraph, the term ‘rollover contributions’ means any rollover contribution under sections 402(c), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii), and 457(e)(16) of the Internal Revenue Code of 1986.”.

(b) ELIGIBLE DEFERRED COMPENSATION PLANS.—Clause (i) of section 457(e)(9)(A) is amended by striking “such amount” and inserting “the portion of such amount which is not attributable to rollover contributions (as defined in section 411(a)(11)(D))”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2001.

#### SEC. 409. MINIMUM DISTRIBUTION AND INCLUSION REQUIREMENTS FOR SECTION 457 PLANS.

(a) MINIMUM DISTRIBUTION REQUIREMENTS.—Paragraph (2) of section 457(d) (relating to distribution requirements) is amended to read as follows:

“(2) MINIMUM DISTRIBUTION REQUIREMENTS.—A plan meets the minimum distribution requirements of this paragraph if such plan meets the requirements of section 401(a)(9).”.

(b) INCLUSION IN GROSS INCOME.—

(1) YEAR OF INCLUSION.—Subsection (a) of section 457 (relating to year of inclusion in gross income) is amended to read as follows:

“(a) YEAR OF INCLUSION IN GROSS INCOME.—

“(1) IN GENERAL.—Any amount of compensation deferred under an eligible deferred compensation plan, and any income attributable to the amounts so deferred, shall be includible in gross income only for the taxable year in which such compensation or other income—

“(A) is paid to the participant or other beneficiary, in the case of a plan of an eligible employer described in subsection (e)(1)(A), and

“(B) is paid or otherwise made available to the participant or other beneficiary, in the case of a plan of an eligible employer described in subsection (e)(1)(B).”

“(2) SPECIAL RULE FOR ROLLOVER AMOUNTS.—To the extent provided in section 72(t)(9), section 72(t) shall apply to any amount includible in gross income under this subsection.”

(2) CONFORMING AMENDMENTS.—

(A) So much of paragraph (9) of section 457(e) as precedes subparagraph (A) is amended to read as follows:

“(9) BENEFITS OF TAX EXEMPT ORGANIZATION PLANS NOT TREATED AS MADE AVAILABLE BY REASON OF CERTAIN ELECTIONS, ETC.—In the case of an eligible deferred compensation plan of an employer described in subsection (e)(1)(B)—”

(B) Section 457(d) is amended by adding at the end the following new paragraph:

“(3) SPECIAL RULE FOR GOVERNMENT PLAN.—An eligible deferred compensation plan of an employer described in subsection (e)(1)(A) shall not be treated as failing to meet the requirements of this subsection solely by reason of making a distribution described in subsection (e)(9)(A).”

(C) MODIFICATION OF TRANSITION RULES FOR EXISTING 457 PLANS.—

(1) IN GENERAL.—Section 1107(c)(3)(B) of the Tax Reform Act of 1986 is amended by striking “or” at the end of clause (i), by striking the period at the end of clause (ii) and inserting “, or” and by inserting after clause (ii) the following new clause:

“(iii) are deferred pursuant to an agreement with an individual covered by an agreement described in clause (ii), to the extent the annual amount under such agreement with the individual does not exceed—

“(I) the amount described in clause (ii)(II), multiplied by

“(II) the cumulative increase in the Consumer Price Index (as published by the Bureau of Labor Statistics of the Department of Labor).”

(2) CONFORMING AMENDMENT.—The fourth sentence of section 1107(c)(3)(B) of the Tax Reform Act of 1986 is amended by striking “This subparagraph” and inserting “Clauses (i) and (ii) of this subparagraph”.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years ending after the date of the enactment of this Act with respect to increases in the Consumer Price Index after September 30, 1993.

(d) EFFECTIVE DATE.—The amendments made by subsections (a) and (b) shall apply to distributions after December 31, 2001.

## TITLE V—STRENGTHENING PENSION SECURITY AND ENFORCEMENT

### Subtitle A—General Provisions

#### SEC. 501. REPEAL OF 155 PERCENT OF CURRENT LIABILITY FUNDING LIMIT.

(a) AMENDMENTS TO INTERNAL REVENUE CODE.—Section 412(c)(7) (relating to full-funding limitation) is amended—

(1) by striking “the applicable percentage” in subparagraph (A)(i)(I) and inserting “in the case of plan years beginning before January 1, 2005, the applicable percentage”; and

(2) by amending subparagraph (F) to read as follows:

“(F) APPLICABLE PERCENTAGE.—For purposes of subparagraph (A)(i)(I), the applica-

ble percentage shall be determined in accordance with the following table:

<b>In the case of any plan year beginning in—</b>	<b>The applicable percentage is—</b>
2002 .....	160
2003 .....	165
2004 .....	170.”

(b) AMENDMENT OF ERISA.—Section 302(c)(7) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1082(c)(7)) is amended—

(1) by striking “the applicable percentage” in subparagraph (A)(i)(I) and inserting “in the case of plan years beginning before January 1, 2005, the applicable percentage”, and

(2) by amending subparagraph (F) to read as follows:

“(F) APPLICABLE PERCENTAGE.—For purposes of subparagraph (A)(i)(I), the applicable percentage shall be determined in accordance with the following table:

<b>In the case of any plan year beginning in—</b>	<b>The applicable percentage is—</b>
2002 .....	160
2003 .....	165
2004 .....	170.”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after December 31, 2001.

#### SEC. 502. MAXIMUM CONTRIBUTION DEDUCTION RULES MODIFIED AND APPLIED TO ALL DEFINED BENEFIT PLANS.

(a) IN GENERAL.—Subparagraph (D) of section 404(a)(1) (relating to special rule in case of certain plans) is amended to read as follows:

“(D) SPECIAL RULE IN CASE OF CERTAIN PLANS.—

“(i) IN GENERAL.—In the case of any defined benefit plan, except as provided in regulations, the maximum amount deductible under the limitations of this paragraph shall not be less than the unfunded termination liability (determined as if the proposed termination date referred to in section 4041(b)(2)(A)(i)(II) of the Employee Retirement Income Security Act of 1974 were the last day of the plan year).

“(ii) PLANS WITH LESS THAN 100 PARTICIPANTS.—For purposes of this subparagraph, in the case of a plan which has less than 100 participants for the plan year, termination liability shall not include the liability attributable to benefit increases for highly compensated employees (as defined in section 414(q)) resulting from a plan amendment which is made or becomes effective, whichever is later, within the last 2 years before the termination date.

“(iii) RULE FOR DETERMINING NUMBER OF PARTICIPANTS.—For purposes of determining whether a plan has more than 100 participants, all defined benefit plans maintained by the same employer (or any member of such employer’s controlled group (within the meaning of section 412(l)(8)(C))) shall be treated as one plan, but only employees of such member or employer shall be taken into account.

“(iv) PLANS MAINTAINED BY PROFESSIONAL SERVICE EMPLOYERS.—Clause (i) shall not apply to a plan described in section 4021(b)(13) of the Employee Retirement Income Security Act of 1974.”

(b) CONFORMING AMENDMENT.—Paragraph (6) of section 4972(c) is amended to read as follows:

“(6) EXCEPTIONS.—In determining the amount of nondeductible contributions for any taxable year, there shall not be taken into account so much of the contributions to one or more defined contribution plans which are not deductible when contributed solely because of section 404(a)(7) as does not exceed the greater of—

“(A) the amount of contributions not in excess of 6 percent of compensation (within the meaning of section 404(a)) paid or accrued (during the taxable year for which the contributions were made) to beneficiaries under the plans, or

“(B) the sum of—

“(i) the amount of contributions described in section 401(m)(4)(A), plus

“(ii) the amount of contributions described in section 402(g)(3)(A).”

For purposes of this paragraph, the deductible limits under section 404(a)(7) shall first be applied to amounts contributed to a defined benefit plan and then to amounts described in subparagraph (B).”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after December 31, 2001.

#### SEC. 503. EXCISE TAX RELIEF FOR SOUND PENSION FUNDING.

(a) IN GENERAL.—Subsection (c) of section 4972 (relating to nondeductible contributions) is amended by adding at the end the following new paragraph:

“(7) DEFINED BENEFIT PLAN EXCEPTION.—In determining the amount of nondeductible contributions for any taxable year, an employer may elect for such year not to take into account any contributions to a defined benefit plan except to the extent that such contributions exceed the full-funding limitation (as defined in section 412(c)(7), determined without regard to subparagraph (A)(i)(I) thereof). For purposes of this paragraph, the deductible limits under section 404(a)(7) shall first be applied to amounts contributed to defined contribution plans and then to amounts described in this paragraph. If an employer makes an election under this paragraph for a taxable year, paragraph (6) shall not apply to such employer for such taxable year.”

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to years beginning after December 31, 2001.

#### SEC. 504. TREATMENT OF MULTIEMPLOYER PLANS UNDER SECTION 415.

(a) COMPENSATION LIMIT.—

(1) IN GENERAL.—Paragraph (11) of section 415(b) (relating to limitation for defined benefit plans) is amended to read as follows:

“(11) SPECIAL LIMITATION RULE FOR GOVERNMENTAL AND MULTIEMPLOYER PLANS.—In the case of a governmental plan (as defined in section 414(d)) or a multiemployer plan (as defined in section 414(f)), subparagraph (B) of paragraph (1) shall not apply.”

(2) CONFORMING AMENDMENT.—Section 415(b)(7) (relating to benefits under certain collectively bargained plans) is amended by inserting “(other than a multiemployer plan)” after “defined benefit plan” in the matter preceding subparagraph (A).

(b) COMBINING AND AGGREGATION OF PLANS.—

(1) COMBINING OF PLANS.—Subsection (f) of section 415 (relating to combining of plans) is amended by adding at the end the following:

“(3) EXCEPTION FOR MULTIEMPLOYER PLANS.—Notwithstanding paragraph (1) and subsection (g), a multiemployer plan (as defined in section 414(f)) shall not be combined or aggregated with any other plan maintained by an employer for purposes of applying subsection (b)(1)(B) to such plan or any other such plan.”

(2) CONFORMING AMENDMENT FOR AGGREGATION OF PLANS.—Subsection (g) of section 415 (relating to aggregation of plans) is amended by striking “The Secretary” and inserting “Except as provided in subsection (f)(3), the Secretary”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2001.

**SEC. 505. PROTECTION OF INVESTMENT OF EMPLOYEE CONTRIBUTIONS TO 401(K) PLANS.**

(a) IN GENERAL.—Section 1524(b) of the Taxpayer Relief Act of 1997 is amended to read as follows:

“(b) EFFECTIVE DATE.—

“(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to elective deferrals for plan years beginning after December 31, 1998.

“(2) NONAPPLICATION TO PREVIOUSLY ACQUIRED PROPERTY.—The amendments made by this section shall not apply to any elective deferral which is invested in assets consisting of qualifying employer securities, qualifying employer real property, or both, if such assets were acquired before January 1, 1999.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply as if included in the provision of the Taxpayer Relief Act of 1997 to which it relates.

**SEC. 506. PERIODIC PENSION BENEFITS STATEMENTS.**

(a) IN GENERAL.—Section 105(a) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1025 (a)) is amended to read as follows:

“(a)(1) Except as provided in paragraph (2)–

“(A) the administrator of an individual account plan shall furnish a pension benefit statement—

“(i) to a plan participant at least once annually, and

“(ii) to a plan beneficiary upon written request, and

“(B) the administrator of a defined benefit plan shall furnish a pension benefit statement—

“(i) at least once every 3 years to each participant with a nonforfeitable accrued benefit who is employed by the employer maintaining the plan at the time the statement is furnished to participants, and

“(ii) to a plan participant or plan beneficiary of the plan upon written request.

“(2) Notwithstanding paragraph (1), the administrator of a plan to which more than 1 unaffiliated employer is required to contribute shall only be required to furnish a pension benefit statement under paragraph (1) upon the written request of a participant or beneficiary of the plan.

“(3) A pension benefit statement under paragraph (1)–

“(A) shall indicate, on the basis of the latest available information—

“(i) the total benefits accrued, and

“(ii) the nonforfeitable pension benefits, if any, which have accrued, or the earliest date on which benefits will become nonforfeitable,

“(B) shall be written in a manner calculated to be understood by the average plan participant, and

“(C) may be provided in written, electronic, telephonic, or other appropriate form.

“(4)(A) In the case of a defined benefit plan, the requirements of paragraph (1)(B)(i) shall be treated as met with respect to a participant if the administrator provides the participant at least once each year with notice of the availability of the pension benefit statement and the ways in which the participant may obtain such statement. Such notice shall be provided in written, electronic, telephonic, or other appropriate form, and may be included with other communications to the participant if done in a manner reasonably designed to attract the attention of the participant.

“(B) The Secretary may provide that years in which no employee or former employee benefits (within the meaning of section 410(b) of the Internal Revenue Code of 1986)

under the plan need not be taken into account in determining the 3-year period under paragraph (1)(B)(i).”.

(b) CONFORMING AMENDMENTS.—

(1) Section 105 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1025) is amended by striking subsection (d).

(2) Section 105(b) of such Act (29 U.S.C. 1025(b)) is amended to read as follows:

“(b) In no case shall a participant or beneficiary of a plan be entitled to more than one statement described in subsection (a)(1)(A) or (a)(1)(B)(ii), whichever is applicable, in any 12-month period.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after December 31, 2001.

**SEC. 507. PROHIBITED ALLOCATIONS OF STOCK IN S CORPORATION ESOP.**

(a) IN GENERAL.—Section 409 (relating to qualifications for tax credit employee stock ownership plans) is amended by redesignating subsection (p) as subsection (q) and by inserting after subsection (o) the following new subsection:

“(p) PROHIBITED ALLOCATIONS OF SECURITIES IN AN S CORPORATION.—

“(1) IN GENERAL.—An employee stock ownership plan holding employer securities consisting of stock in an S corporation shall provide that no portion of the assets of the plan attributable to (or allocable in lieu of) such employer securities may, during a non-allocation year, accrue (or be allocated directly or indirectly under any plan of the employer meeting the requirements of section 401(a)) for the benefit of any disqualified person.

“(2) FAILURE TO MEET REQUIREMENTS.—

“(A) IN GENERAL.—If a plan fails to meet the requirements of paragraph (1), the plan shall be treated as having distributed to any disqualified person the amount allocated to the account of such person in violation of paragraph (1) at the time of such allocation.

“(B) CROSS REFERENCE.—

“**For excise tax relating to violations of paragraph (1) and ownership of synthetic equity, see section 4979A.**

“(3) NONALLOCATION YEAR.—For purposes of this subsection—

“(A) IN GENERAL.—The term ‘nonallocation year’ means any plan year of an employee stock ownership plan if, at any time during such plan year—

“(i) such plan holds employer securities consisting of stock in an S corporation, and

“(ii) disqualified persons own at least 50 percent of the number of shares of stock in the S corporation.

“(B) ATTRIBUTION RULES.—For purposes of subparagraph (A)—

“(i) IN GENERAL.—The rules of section 318(a) shall apply for purposes of determining ownership, except that—

“(I) in applying paragraph (1) thereof, the members of an individual’s family shall include members of the family described in paragraph (4)(D), and

“(II) paragraph (4) thereof shall not apply.

“(ii) DEEMED-OWNED SHARES.—Notwithstanding the employee trust exception in section 318(a)(2)(B)(i), an individual shall be treated as owning deemed-owned shares of the individual.

Solely for purposes of applying paragraph (5), this subparagraph shall be applied after the attribution rules of paragraph (5) have been applied.

“(4) DISQUALIFIED PERSON.—For purposes of this subsection—

“(A) IN GENERAL.—The term ‘disqualified person’ means any person if—

“(i) the aggregate number of deemed-owned shares of such person and the members of such person’s family is at least 20 percent of the number of deemed-owned shares of stock in the S corporation, or

“(ii) in the case of a person not described in clause (i), the number of deemed-owned shares of such person is at least 10 percent of the number of deemed-owned shares of stock in such corporation.

“(B) TREATMENT OF FAMILY MEMBERS.—In the case of a disqualified person described in subparagraph (A)(1), any member of such person’s family with deemed-owned shares shall be treated as a disqualified person if not otherwise treated as a disqualified person under subparagraph (A).

“(C) DEEMED-OWNED SHARES.—

“(i) IN GENERAL.—The term ‘deemed-owned shares’ means, with respect to any person—

“(I) the stock in the S corporation constituting employer securities of an employee stock ownership plan which is allocated to such person under the plan, and

“(II) such person’s share of the stock in such corporation which is held by such plan but which is not allocated under the plan to participants.

“(ii) PERSON’S SHARE OF UNALLOCATED STOCK.—For purposes of clause (i)(II), a person’s share of unallocated S corporation stock held by such plan is the amount of the unallocated stock which would be allocated to such person if the unallocated stock were allocated to all participants in the same proportions as the most recent stock allocation under the plan.

“(D) MEMBER OF FAMILY.—For purposes of this paragraph, the term ‘member of the family’ means, with respect to any individual—

“(i) the spouse of the individual,

“(ii) an ancestor or lineal descendant of the individual or the individual’s spouse,

“(iii) a brother or sister of the individual or the individual’s spouse and any lineal descendant of the brother or sister, and

“(iv) the spouse of any individual described in clause (ii) or (iii).

A spouse of an individual who is legally separated from such individual under a decree of divorce or separate maintenance shall not be treated as such individual’s spouse for purposes of this subparagraph.

“(5) TREATMENT OF SYNTHETIC EQUITY.—For purposes of paragraphs (3) and (4), in the case of a person who owns synthetic equity in the S corporation, except to the extent provided in regulations, the shares of stock in such corporation on which such synthetic equity is based shall be treated as outstanding stock in such corporation and deemed-owned shares of such person if such treatment of synthetic equity of 1 or more such persons results in—

“(A) the treatment of any person as a disqualified person, or

“(B) the treatment of any year as a non-allocation year.

For purposes of this paragraph, synthetic equity shall be treated as owned by a person in the same manner as stock is treated as owned by a person under the rules of paragraphs (2) and (3) of section 318(a). If, without regard to this paragraph, a person is treated as a disqualified person or a year is treated as a nonallocation year, this paragraph shall not be construed to result in the person or year not being so treated.

“(6) DEFINITIONS.—For purposes of this subsection—

“(A) EMPLOYEE STOCK OWNERSHIP PLAN.—The term ‘employee stock ownership plan’ has the meaning given such term by section 4975(e)(7).

“(B) EMPLOYER SECURITIES.—The term ‘employer security’ has the meaning given such term by section 409(l).

“(C) SYNTHETIC EQUITY.—The term ‘synthetic equity’ means any stock option, warrant, restricted stock, deferred issuance stock right, or similar interest or right that

gives the holder the right to acquire or receive stock of the S corporation in the future. Except to the extent provided in regulations, synthetic equity also includes a stock appreciation right, phantom stock unit, or similar right to a future cash payment based on the value of such stock or appreciation in such value.

“(7) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this subsection.”.

(b) COORDINATION WITH SECTION 4975(e)(7).—The last sentence of section 4975(e)(7) (defining employee stock ownership plan) is amended by inserting “, section 409(p),” after “409(n)”.

(c) EXCISE TAX.—

(1) APPLICATION OF TAX.—Subsection (a) of section 4979A (relating to tax on certain prohibited allocations of employer securities) is amended—

(A) by striking “or” at the end of paragraph (1), and

(B) by striking all that follows paragraph (2) and inserting the following:

“(3) there is any allocation of employer securities which violates the provisions of section 409(p), or a nonallocation year described in subsection (e)(2)(C) with respect to an employee stock ownership plan, or

“(4) any synthetic equity is owned by a disqualified person in any nonallocation year, there is hereby imposed a tax on such allocation or ownership equal to 50 percent of the amount involved.”.

(2) LIABILITY.—Section 4979A(c) (defining liability for tax) is amended to read as follows:

“(c) LIABILITY FOR TAX.—The tax imposed by this section shall be paid—

“(1) in the case of an allocation referred to in paragraph (1) or (2) of subsection (a), by—

“(A) the employer sponsoring such plan, or

“(B) the eligible worker-owned cooperative,

which made the written statement described in section 664(g)(1)(E) or in section 1042(b)(3)(B) (as the case may be), and

“(2) in the case of an allocation or ownership referred to in paragraph (3) or (4) of subsection (a), by the S corporation the stock in which was so allocated or owned.”.

(3) DEFINITIONS.—Section 4979A(e) (relating to definitions) is amended to read as follows:

“(e) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

“(1) DEFINITIONS.—Except as provided in paragraph (2), terms used in this section have the same respective meanings as when used in sections 409 and 4978.

“(2) SPECIAL RULES RELATING TO TAX IMPOSED BY REASON OF PARAGRAPH (3) OR (4) OF SUBSECTION (A).—

“(A) PROHIBITED ALLOCATIONS.—The amount involved with respect to any tax imposed by reason of subsection (a)(3) is the amount allocated to the account of any person in violation of section 409(p)(1).

“(B) SYNTHETIC EQUITY.—The amount involved with respect to any tax imposed by reason of subsection (a)(4) is the value of the shares on which the synthetic equity is based.

“(C) SPECIAL RULE DURING FIRST NON-ALLOCATION YEAR.—For purposes of subparagraph (A), the amount involved for the first nonallocation year of any employee stock ownership plan shall be determined by taking into account the total value of all the deemed-owned shares of all disqualified persons with respect to such plan.

“(D) STATUTE OF LIMITATIONS.—The statutory period for the assessment of any tax imposed by this section by reason of paragraph (3) or (4) of subsection (a) shall not expire before the date which is 3 years from the later of—

“(i) the allocation or ownership referred to in such paragraph giving rise to such tax, or

“(ii) the date on which the Secretary is notified of such allocation or ownership.”.

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply to plan years beginning after December 31, 2002.

(2) EXCEPTION FOR CERTAIN PLANS.—In the case of any—

(A) employee stock ownership plan established after July 11, 2000, or

(B) employee stock ownership plan established on or before such date if employer securities held by the plan consist of stock in a corporation with respect to which an election under section 1362(a) of the Internal Revenue Code of 1986 is not in effect on such date,

the amendments made by this section shall apply to plan years ending after July 11, 2000.

#### SEC. 508. AUTOMATIC ROLLOVERS OF CERTAIN MANDATORY DISTRIBUTIONS.

(a) DIRECT TRANSFERS OF MANDATORY DISTRIBUTIONS.—

(1) IN GENERAL.—Section 401(a)(31) (relating to optional direct transfer of eligible rollover distributions), as amended by section 403, is amended by redesignating subparagraphs (B), (C), and (D) as subparagraphs (C), (D), and (E), respectively, and by inserting after subparagraph (A) the following new subparagraph:

“(B) CERTAIN MANDATORY DISTRIBUTIONS.—

“(i) IN GENERAL.—In case of a trust which is part of an eligible plan, such trust shall not constitute a qualified trust under this section unless the plan of which such trust is a part provides that if—

“(I) a distribution described in clause (ii) in excess of \$1,000 is made, and

“(II) the distributee does not make an election under subparagraph (A) and does not elect to receive the distribution directly,

the plan administrator shall make such transfer to an individual retirement account or annuity of a designated trustee or issuer and shall notify the distributee in writing (either separately or as part of the notice under section 402(f)) that the distribution may be transferred without cost or penalty to another individual account or annuity.

“(ii) ELIGIBLE PLAN.—For purposes of clause (i), the term ‘eligible plan’ means a plan which provides that any nonforfeitable accrued benefit for which the present value (as determined under section 411(a)(11)) does not exceed \$5,000 shall be immediately distributed to the participant.”.

(2) CONFORMING AMENDMENTS.—

(A) The heading of section 401(a)(31) is amended by striking “OPTIONAL DIRECT” and inserting “DIRECT”.

(B) Section 401(a)(31)(C), as redesignated by paragraph (1), is amended by striking “Subparagraph (A)” and inserting “Subparagraphs (A) and (B)”.

(b) NOTICE REQUIREMENT.—Section 402(f)(1) (relating to written explanation to recipients of distributions eligible for rollover treatment) is amended by striking “and” at the end of subparagraph (C), by striking the period at the end of subparagraph (D), and by adding at the end the following new subparagraph:

“(E) if applicable, of the provision requiring a direct trustee-to-trustee transfer of a distribution under section 401(a)(31)(B) unless the recipient elects otherwise.”.

(c) FIDUCIARY RULES.—Section 404(c) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1104(c)) is amended by adding at the end the following new paragraph:

“(3) In the case of a pension plan which makes a transfer to an individual retirement account or annuity of a designated trustee or issuer under section 401(a)(31)(B) of the Inter-

nal Revenue Code of 1986, the participant or beneficiary shall, for purposes of paragraph (1), be treated as exercising control over the assets in the account or annuity upon the earlier of—

“(A) a rollover of all or a portion of the amount to another individual retirement account or annuity; or

“(B) one year after the transfer is made.”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions made after December 31, 2001.

#### Subtitle B—Treatment of Plan Amendments Reducing Future Benefit Accruals

#### SEC. 521. NOTICE REQUIRED FOR PENSION PLAN AMENDMENTS HAVING THE EFFECT OF SIGNIFICANTLY REDUCING FUTURE BENEFIT ACCRUALS.

(a) EXCISE TAX.—

(1) IN GENERAL.—Chapter 43 (relating to qualified pension, etc., plans) is amended by adding at the end the following new section:

#### “SEC. 4980F. FAILURE TO PROVIDE NOTICE OF PENSION PLAN AMENDMENTS REDUCING BENEFIT ACCRUALS.

“(a) IMPOSITION OF TAX.—There is hereby imposed a tax on the failure of an applicable pension plan to meet the requirements of subsection (e) with respect to any applicable individual.

“(b) AMOUNT OF TAX.—

“(1) IN GENERAL.—The amount of the tax imposed by subsection (a) on any failure with respect to any applicable individual shall be \$100 for each day in the noncompliance period with respect to such failure.

“(2) NONCOMPLIANCE PERIOD.—For purposes of this section, the term ‘noncompliance period’ means, with respect to any failure, the period beginning on the date the failure first occurs and ending on the date the notice to which the failure relates is provided or the failure is otherwise corrected.

“(c) LIMITATIONS ON AMOUNT OF TAX.—

“(1) TAX NOT TO APPLY WHERE FAILURE NOT DISCOVERED AND REASONABLE DILIGENCE EXERCISED.—No tax shall be imposed by subsection (a) on any failure during any period for which it is established to the satisfaction of the Secretary that any person subject to liability for the tax under subsection (d) did not know that the failure existed and exercised reasonable diligence to meet the requirements of subsection (e).

“(2) TAX NOT TO APPLY TO FAILURES CORRECTED WITHIN 30 DAYS.—No tax shall be imposed by subsection (a) on any failure if—

“(A) any person subject to liability for the tax under subsection (d) exercised reasonable diligence to meet the requirements of subsection (e), and

“(B) such person provides the notice described in subsection (e) during the 30-day period beginning on the first date such person knew, or exercising reasonable diligence would have known, that such failure existed.

“(3) OVERALL LIMITATION FOR UNINTENTIONAL FAILURES.—

“(A) IN GENERAL.—If the person subject to liability for tax under subsection (d) exercised reasonable diligence to meet the requirements of subsection (e), the tax imposed by subsection (a) for failures during the taxable year of the employer (or, in the case of a multiemployer plan, the taxable year of the trust forming part of the plan) shall not exceed \$500,000. For purposes of the preceding sentence, all multiemployer plans of which the same trust forms a part shall be treated as 1 plan.

“(B) TAXABLE YEARS IN THE CASE OF CERTAIN CONTROLLED GROUPS.—For purposes of this paragraph, if all persons who are treated as a single employer for purposes of this section do not have the same taxable year, the taxable years taken into account shall be determined under principles similar to the principles of section 1561.

“(4) WAIVER BY SECRETARY.—In the case of a failure which is due to reasonable cause and not to willful neglect, the Secretary may waive part or all of the tax imposed by subsection (a) to the extent that the payment of such tax would be excessive or otherwise inequitable relative to the failure involved.

“(d) LIABILITY FOR TAX.—The following shall be liable for the tax imposed by subsection (a):

“(1) In the case of a plan other than a multiemployer plan, the employer.

“(2) In the case of a multiemployer plan, the plan.

“(e) NOTICE REQUIREMENTS FOR PLAN AMENDMENTS SIGNIFICANTLY REDUCING BENEFIT ACCRUALS.—

“(1) IN GENERAL.—If the sponsor of an applicable pension plan adopts an amendment which has the effect of significantly reducing the rate of future benefit accrual of 1 or more participants, the plan administrator shall, not later than the 45th day before the effective date of the amendment, provide written notice to each applicable individual (and to each employee organization representing applicable individuals) which—

“(A) sets forth a summary of the plan amendment and the effective date of the amendment,

“(B) includes a statement that the plan amendment is expected to significantly reduce the rate of future benefit accrual,

“(C) includes a description of the classes of employees reasonably expected to be affected by the reduction in the rate of future benefit accrual,

“(D) sets forth examples illustrating how the plan will change benefits for such classes of employees,

“(E) if paragraph (2) applies to the plan amendment, includes a notice that the plan administrator will provide a benefit estimation tool kit described in paragraph (2)(B) to each applicable individual no later than the date required under paragraph (2)(A), and

“(F) includes a notice of each applicable individual's right under Federal law to receive, and of the procedures for requesting, an annual benefit statement.

“(2) REQUIREMENT TO PROVIDE BENEFIT ESTIMATION TOOL KIT.—

“(A) IN GENERAL.—If a plan amendment results in the significant restructuring of the plan benefit formula (as determined under regulations prescribed by the Secretary), the plan administrator shall, not later than the 15th day before the effective date of the amendment, provide a benefit estimation tool kit described in subparagraph (B) to each applicable individual. If such plan amendment occurs within 12 months of an event described in section 410(b)(6)(C), the plan administrator shall in no event be required to provide the benefit estimation tool kit to applicable individuals affected by the event before the date which is 12 months after the date on which notice under paragraph (1) is given to such applicable individuals.

“(B) BENEFIT ESTIMATION TOOL KIT.—The benefit estimation tool kit described in this subparagraph shall include the following information:

“(i) Sufficient information to enable an applicable individual to estimate the individual's projected benefits under the terms of the plan in effect both before and after the adoption of the amendment.

“(ii) The formulas and actuarial assumptions necessary to estimate under both such plan terms a single life annuity at appropriate ages, and, when available, a lump sum distribution.

“(iii) The interest rate used to compute a lump sum distribution and information as to whether the value of any early retirement benefit or retirement-type subsidy (within

the meaning of section 411(d)(6)(B)(i)) is included in the lump sum distribution.

“(3) NOTICE TO DESIGNEE.—Any notice under paragraph (1) or (2) may be provided to a person designated, in writing, by the person to which it would otherwise be provided.

“(4) FORM OF EXPLANATION.—The information required to be provided under this subsection shall be provided in a manner calculated to be reasonably understood by the average plan participant.

“(f) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

“(1) APPLICABLE INDIVIDUAL.—

“(A) IN GENERAL.—The term ‘applicable individual’ means, with respect to any plan amendment—

“(i) each participant in the plan, and

“(ii) any beneficiary who is an alternate payee (within the meaning of section 414(p)(8)) under an applicable qualified domestic relations order (within the meaning of section 414(p)(1)(A)),

whose rate of future benefit accrual under the plan may reasonably be expected to be significantly reduced by such plan amendment.

“(B) EXCEPTION FOR PARTICIPANTS WITH LESS THAN 1 YEAR OF PARTICIPATION.—Such term shall not include a participant who has less than 1 year of participation (within the meaning of section 411(b)(4)) under the plan as of the effective date of the plan amendment.

“(2) APPLICABLE PENSION PLAN.—The term ‘applicable pension plan’ means—

“(A) a defined benefit plan, or

“(B) an individual account plan which is subject to the funding standards of section 412.

Such term shall not include a governmental plan (within the meaning of section 414(d)), a church plan (within the meaning of section 414(e)) with respect to which an election under section 410(d) has not been made, or any other plan to which section 204(h) of the Employee Retirement Income Security Act of 1974 does not apply.

“(3) EARLY RETIREMENT.—A plan amendment which eliminates or significantly reduces any early retirement benefit or retirement-type subsidy (within the meaning of section 411(d)(6)(B)(i)) shall be treated as having the effect of significantly reducing the rate of future benefit accrual.

“(g) REGULATIONS.—The Secretary shall, not later than 1 year after the date of the enactment of this section, issue—

“(1) the regulations described in subsection (e)(2)(A) and section 204(h)(2)(A) of the Employee Retirement Income Security Act of 1974, and

“(2) guidance for both of the examples described in subsection (e)(1)(D) and section 204(h)(1)(D) of the Employee Retirement Income Security Act of 1974 and the benefit estimation tool kit described in subsection (e)(2)(B) and section 204(h)(2)(B) of the Employee Retirement Income Security Act of 1974.

“(h) NEW TECHNOLOGIES.—The Secretary may by regulation allow any notice under paragraph (1) or (2) of subsection (e) to be provided by using new technologies. Such regulations shall ensure that at least one option for providing such notice is not dependent on new technologies.”

(2) CONFORMING AMENDMENT.—The table of sections for chapter 43 is amended by adding at the end the following new item:

“Sec. 4980F. Failure to provide notice of pension plan amendments reducing benefit accruals.”

(b) AMENDMENT OF ERISA.—Section 204(h) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1054(h)) is amended to read as follows:

“(h)(1) If an applicable pension plan is amended so as to provide a significant reduction in the rate of future benefit accrual of 1 or more participants, the plan administrator shall, not later than the 45th day before the effective date of the amendment, provide written notice to each applicable individual (and to each employee organization representing applicable individuals) which—

“(A) sets forth a summary of the plan amendment and the effective date of the amendment,

“(B) includes a statement that the plan amendment is expected to significantly reduce the rate of future benefit accrual,

“(C) includes a description of the classes of employees reasonably expected to be affected by the reduction in the rate of future benefit accrual,

“(D) sets forth examples illustrating how the plan will change benefits for such classes of employees,

“(E) if paragraph (2) applies to the plan amendment, includes a notice that the plan administrator will provide a benefit estimation tool kit described in paragraph (2)(B) to each applicable individual no later than the date required under paragraph (2)(A), and

“(F) includes a notice of each applicable individual's right under Federal law to receive, and of the procedures for requesting, an annual benefit statement.

“(2)(A) If a plan amendment results in the significant restructuring of the plan benefit formula (as determined under regulations prescribed by the Secretary of the Treasury), the plan administrator shall, not later than the 15th day before the effective date of the amendment, provide a benefit estimation tool kit described in subparagraph (B) to each applicable individual. If such plan amendment occurs within 12 months of an event described in section 410(b)(6)(C) of the Internal Revenue Code of 1986, the plan administrator shall in no event be required to provide the benefit estimation tool kit to applicable individuals affected by the event before the date which is 12 months after the date on which notice under paragraph (1) is given to such applicable individuals.

“(B) The benefit estimation tool kit described in this subparagraph shall include the following information:

“(i) Sufficient information to enable an applicable individual to estimate the individual's projected benefits under the terms of the plan in effect both before and after the adoption of the amendment.

“(ii) The formulas and actuarial assumptions necessary to estimate under both such plan terms a single life annuity at appropriate ages, and, when available, a lump sum distribution.

“(iii) The interest rate used to compute a lump sum distribution and information as to whether the value of any early retirement benefit or retirement-type subsidy (within the meaning of subsection (g)(2)(A)) is included in the lump sum distribution.

“(3) Any notice under paragraph (1) or (2) may be provided to a person designated, in writing, by the person to which it would otherwise be provided.

“(4) The information required to be provided under this subsection shall be provided in a manner calculated to be reasonably understood by the average participant.

“(5)(A) In the case of any failure to exercise due diligence in meeting any requirement of this subsection with respect to any plan amendment, the provisions of the applicable pension plan shall be applied as if such plan amendment entitled all applicable individuals to the greater of—

“(i) the benefits to which they would have been entitled without regard to such amendment, or

“(ii) the benefits under the plan with regard to such amendment.

“(B) For purposes of subparagraph (A), there is a failure to exercise due diligence in meeting the requirements of this subsection if such failure is within the control of the plan sponsor and is—

“(i) an intentional failure (including any failure to promptly provide the required notice or information after the plan administrator discovers an unintentional failure to meet the requirements of this subsection),

“(ii) a failure to provide most of the individuals with most of the information they are entitled to receive under this subsection, or

“(iii) a failure to exercise due diligence which is determined under regulations prescribed by the Secretary of the Treasury.

“(C) For excise tax on failure to meet requirements, see section 4980F of the Internal Revenue Code of 1986.

“(5)(A) For purposes of this subsection, the term ‘applicable individual’ means, with respect to any plan amendment—

“(i) each participant in the plan, and

“(ii) any beneficiary who is an alternate payee (within the meaning of section 206(d)(3)(K)) under an applicable qualified domestic relations order (within the meaning of section 206(d)(3)(B)),

whose rate of future benefit accrual under the plan may reasonably be expected to be significantly reduced by such plan amendment.

“(B) Such term shall not include a participant who has less than 1 year of participation (within the meaning of subsection (b)(4)) under the plan as of the effective date of the plan amendment.

“(6) For purposes of this subsection, the term ‘applicable pension plan’ means—

“(A) a defined benefit plan, or

“(B) an individual account plan which is subject to the funding standards of section 302.

“(7) For purposes of this subsection, a plan amendment which eliminates or significantly reduces any early retirement benefit or retirement-type subsidy (within the meaning of section 204(g)(2)(A)) shall be treated as having the effect of significantly reducing the rate of future benefit accrual.

“(8) The Secretary of the Treasury may by regulation allow any notice under this subsection to be provided by using new technologies. Such regulation shall ensure that at least one option for providing such notice is not dependent on new technologies.”

(c) REGULATIONS RELATING TO EARLY RETIREMENT SUBSIDIES.—The Secretary of the Treasury or the Secretary’s delegate shall, not later than 1 year after the date of the enactment of this Act, issue regulations relating to early retirement benefits or retirement-type subsidies described in section 411(d)(6)(B)(i) of the Internal Revenue Code of 1986 and section 204(g)(2)(A) of the Employee Retirement Income Security Act of 1974.

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply to plan amendments taking effect on or after the date of the enactment of this Act.

(2) TRANSITION.—Until such time as the Secretary of the Treasury issues regulations under section 4980F(e)(2) of the Internal Revenue Code of 1986 and section 204(h)(2) of the Employee Retirement Income Security Act of 1974 (as added by the amendments made by this section), a plan shall be treated as meeting the requirements of such sections if it makes a good faith effort to comply with such requirements.

(3) SPECIAL NOTICE RULES.—The period for providing any notice required by the amendments made by this section shall not end before the date which is 3 months after the date of the enactment of this Act.

(d) STUDY.—The Secretary of the Treasury shall prepare a report on the effects of significant restructurings of plan benefit formulas of traditional defined benefit plans. Such study shall examine the effects of such restructurings on longer service participants, including the incidence and effects of “wear away” provisions under which participants earn no additional benefits for a period of time after restructuring. As soon as practicable, but not later than one year after the date of enactment of this Act, the Secretary shall submit such report, together with recommendations thereon, to the Committee on Ways and Means and the Committee on Education and the Workforce of the House of Representatives and the Committee on Finance and the Committee on Health, Education, Labor, and Pensions of the Senate.

#### TITLE VI—REDUCING REGULATORY BURDENS

##### SEC. 601. MODIFICATION OF TIMING OF PLAN VALUATIONS.

(a) IN GENERAL.—Paragraph (9) of section 412(c) (relating to annual valuation) is amended to read as follows:

“(9) ANNUAL VALUATION.—

“(A) IN GENERAL.—For purposes of this section, a determination of experience gains and losses and a valuation of the plan’s liability shall be made not less frequently than once every year, except that such determination shall be made more frequently to the extent required in particular cases under regulations prescribed by the Secretary.

“(B) VALUATION DATE.—

“(i) CURRENT YEAR.—Except as provided in clause (ii), the valuation referred to in subparagraph (A) shall be made as of a date within the plan year to which the valuation refers or within one month prior to the beginning of such year.

“(ii) ELECTION TO USE PRIOR YEAR VALUATION.—The valuation referred to in subparagraph (A) may be made as of a date within the plan year prior to the year to which the valuation refers if—

“(I) an election is in effect under this clause with respect to the plan, and

“(II) as of such date, the value of the assets of the plan are not less than 125 percent of the plan’s current liability (as defined in paragraph (7)(B)).

“(iii) ADJUSTMENTS.—Information under clause (ii) shall, in accordance with regulations, be actuarially adjusted to reflect significant differences in participants.

“(iv) ELECTION.—An election under clause (ii), once made, shall be irrevocable without the consent of the Secretary.”

(b) AMENDMENT OF ERISA.—Paragraph (9) of section 302(c) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(c)) is amended—

(1) by inserting “(A)” after “(9)”, and

(2) by adding at the end the following:

“(B)(i) Except as provided in clause (ii), the valuation referred to in subparagraph (A) shall be made as of a date within the plan year to which the valuation refers or within one month prior to the beginning of such year.

“(ii) The valuation referred to in subparagraph (A) may be made as of a date within the plan year prior to the year to which the valuation refers if—

“(I) an election is in effect under this clause with respect to the plan, and

“(II) as of such date, the value of the assets of the plan are not less than 125 percent of the plan’s current liability (as defined in paragraph (7)(B)).

“(iii) Information under clause (ii) shall, in accordance with regulations, be actuarially adjusted to reflect significant differences in participants.

“(iv) An election under clause (ii), once made, shall be irrevocable without the consent of the Secretary of the Treasury.”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after December 31, 2001.

##### SEC. 602. ESOP DIVIDENDS MAY BE REINVESTED WITHOUT LOSS OF DIVIDEND DEDUCTION.

(a) IN GENERAL.—Section 404(k)(2)(A) (defining applicable dividends) is amended by striking “or” at the end of clause (ii), by redesignating clause (iii) as clause (iv), and by inserting after clause (ii) the following new clause:

“(iii) is, at the election of such participants or their beneficiaries—

“(I) payable as provided in clause (i) or (ii), or

“(II) paid to the plan and reinvested in qualifying employer securities, or”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

##### SEC. 603. REPEAL OF TRANSITION RULE RELATING TO CERTAIN HIGHLY COMPENSATED EMPLOYEES.

(a) IN GENERAL.—Paragraph (4) of section 1114(c) of the Tax Reform Act of 1986 is hereby repealed.

(b) EFFECTIVE DATE.—The repeal made by subsection (a) shall apply to plan years beginning after December 31, 2001.

##### SEC. 604. EMPLOYEES OF TAX-EXEMPT ENTITIES.

(a) IN GENERAL.—The Secretary of the Treasury shall modify Treasury Regulations section 1.410(b)-6(g) to provide that employees of an organization described in section 403(b)(1)(A)(i) of the Internal Revenue Code of 1986 who are eligible to make contributions under section 403(b) of such Code pursuant to a salary reduction agreement may be treated as excludable with respect to a plan under section 401(k) or (m) of such Code that is provided under the same general arrangement as a plan under such section 401(k), if—

(1) no employee of an organization described in section 403(b)(1)(A)(i) of such Code is eligible to participate in such section 401(k) plan or section 401(m) plan; and

(2) 95 percent of the employees who are not employees of an organization described in section 403(b)(1)(A)(i) of such Code are eligible to participate in such plan under such section 401(k) or (m).

(b) EFFECTIVE DATE.—The modification required by subsection (a) shall apply as of the same date set forth in section 1426(b) of the Small Business Job Protection Act of 1996.

##### SEC. 605. CLARIFICATION OF TREATMENT OF EMPLOYER-PROVIDED RETIREMENT ADVICE.

(a) IN GENERAL.—Subsection (a) of section 132 (relating to exclusion from gross income) is amended by striking “or” at the end of paragraph (5), by striking the period at the end of paragraph (6) and inserting “, or”, and by adding at the end the following new paragraph:

“(7) qualified retirement planning services.”

(b) QUALIFIED RETIREMENT PLANNING SERVICES DEFINED.—Section 132 is amended by redesignating subsection (m) as subsection (n) and by inserting after subsection (l) the following:

“(m) QUALIFIED RETIREMENT PLANNING SERVICES.—

“(1) IN GENERAL.—For purposes of this section, the term ‘qualified retirement planning services’ means any retirement planning advice or information provided to an employee and his spouse by an employer maintaining a qualified employer plan.

“(2) NONDISCRIMINATION RULE.—Subsection (a)(7) shall apply in the case of highly compensated employees only if such services are available on substantially the same terms to each member of the group of employees normally provided education and information



regarding the employer's qualified employer plan.

“(3) **QUALIFIED EMPLOYER PLAN.**—For purposes of this subsection, the term ‘qualified employer plan’ means a plan, contract, pension, or account described in section 219(g)(5).”.

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to years beginning after December 31, 2001.

#### SEC. 606. REPORTING SIMPLIFICATION.

(a) **SIMPLIFIED ANNUAL FILING REQUIREMENT FOR OWNERS AND THEIR SPOUSES.**—

(1) **IN GENERAL.**—The Secretary of the Treasury shall modify the requirements for filing annual returns with respect to one-participant retirement plans to ensure that such plans with assets of \$250,000 or less as of the close of the plan year need not file a return for that year.

(2) **ONE-PARTICIPANT RETIREMENT PLAN DEFINED.**—For purposes of this subsection, the term “one-participant retirement plan” means a retirement plan that—

(A) on the first day of the plan year—

(i) covered only the employer (and the employer's spouse) and the employer owned the entire business (whether or not incorporated); or

(ii) covered only one or more partners (and their spouses) in a business partnership (including partners in an S or C corporation);

(B) meets the minimum coverage requirements of section 410(b) of the Internal Revenue Code of 1986 without being combined with any other plan of the business that covers the employees of the business;

(C) does not provide benefits to anyone except the employer (and the employer's spouse) or the partners (and their spouses);

(D) does not cover a business that is a member of an affiliated service group, a controlled group of corporations, or a group of businesses under common control; and

(E) does not cover a business that leases employees.

(3) **OTHER DEFINITIONS.**—Terms used in paragraph (2) which are also used in section 414 of the Internal Revenue Code of 1986 shall have the respective meanings given such terms by such section.

(b) **EFFECTIVE DATE.**—The provisions of this section shall take effect on January 1, 2002.

#### SEC. 607. IMPROVEMENT OF EMPLOYEE PLANS COMPLIANCE RESOLUTION SYSTEM.

The Secretary of the Treasury shall continue to update and improve the Employee Plans Compliance Resolution System (or any successor program) giving special attention to—

(1) increasing the awareness and knowledge of small employers concerning the availability and use of the program;

(2) taking into account special concerns and circumstances that small employers face with respect to compliance and correction of compliance failures;

(3) extending the duration of the self-correction period under the Administrative Policy Regarding Self-Correction for significant compliance failures;

(4) expanding the availability to correct insignificant compliance failures under the Administrative Policy Regarding Self-Correction during audit; and

(5) assuring that any tax, penalty, or sanction that is imposed by reason of a compliance failure is not excessive and bears a reasonable relationship to the nature, extent, and severity of the failure.

#### SEC. 608. REPEAL OF THE MULTIPLE USE TEST.

(a) **IN GENERAL.**—Paragraph (9) of section 401(m) is amended to read as follows:

“(9) **REGULATIONS.**—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this sub-

section and subsection (k), including regulations permitting appropriate aggregation of plans and contributions.”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to years beginning after December 31, 2001.

#### SEC. 609. FLEXIBILITY IN NONDISCRIMINATION, COVERAGE, AND LINE OF BUSINESS RULES.

(a) **NONDISCRIMINATION.**—

(1) **IN GENERAL.**—The Secretary of the Treasury shall, by regulation, provide that a plan shall be deemed to satisfy the requirements of section 401(a)(4) of the Internal Revenue Code of 1986 if such plan satisfies the facts and circumstances test under section 401(a)(4) of such Code, as in effect before January 1, 1994, but only if—

(A) the plan satisfies conditions prescribed by the Secretary to appropriately limit the availability of such test; and

(B) the plan is submitted to the Secretary for a determination of whether it satisfies such test.

Subparagraph (B) shall only apply to the extent provided by the Secretary.

(2) **EFFECTIVE DATES.**—

(A) **REGULATIONS.**—The regulation required by paragraph (1) shall apply to years beginning after December 31, 2001.

(B) **CONDITIONS OF AVAILABILITY.**—Any condition of availability prescribed by the Secretary under paragraph (1)(A) shall not apply before the first year beginning not less than 120 days after the date on which such condition is prescribed.

(b) **COVERAGE TEST.**—

(1) **IN GENERAL.**—Section 410(b)(1) (relating to minimum coverage requirements) is amended by adding at the end the following:

“(D) In the case that the plan fails to meet the requirements of subparagraphs (A), (B) and (C), the plan—

“(i) satisfies subparagraph (B), as in effect immediately before the enactment of the Tax Reform Act of 1986,

“(ii) is submitted to the Secretary for a determination of whether it satisfies the requirement described in clause (i), and

“(iii) satisfies conditions prescribed by the Secretary by regulation that appropriately limit the availability of this subparagraph.

Clause (ii) shall apply only to the extent provided by the Secretary.”.

(2) **EFFECTIVE DATES.**—

(A) **IN GENERAL.**—The amendment made by paragraph (1) shall apply to years beginning after December 31, 2001.

(B) **CONDITIONS OF AVAILABILITY.**—Any condition of availability prescribed by the Secretary under regulations prescribed by the Secretary under section 410(b)(1)(D) of the Internal Revenue Code of 1986 shall not apply before the first year beginning not less than 120 days after the date on which such condition is prescribed.

(c) **LINE OF BUSINESS RULES.**—The Secretary of the Treasury shall, on or before December 31, 2001, modify the existing regulations issued under section 414(r) of the Internal Revenue Code of 1986 in order to expand (to the extent that the Secretary determines appropriate) the ability of a pension plan to demonstrate compliance with the line of business requirements based upon the facts and circumstances surrounding the design and operation of the plan, even though the plan is unable to satisfy the mechanical tests currently used to determine compliance.

#### SEC. 610. EXTENSION TO ALL GOVERNMENTAL PLANS OF MORATORIUM ON APPLICATION OF CERTAIN NONDISCRIMINATION RULES APPLICABLE TO STATE AND LOCAL PLANS.

(a) **IN GENERAL.**—

(1) Subparagraph (G) of section 401(a)(5) and subparagraph (H) of section 401(a)(26) are

each amended by striking “section 414(d)” and all that follows and inserting “section 414(d)).”.

(2) Subparagraph (G) of section 401(k)(3) and paragraph (2) of section 1505(d) of the Taxpayer Relief Act of 1997 are each amended by striking “maintained by a State or local government or political subdivision thereof (or agency or instrumentality thereof)”.

(b) **CONFORMING AMENDMENTS.**—

(1) The heading for subparagraph (G) of section 401(a)(5) is amended to read as follows: “GOVERNMENTAL PLANS”.

(2) The heading for subparagraph (H) of section 401(a)(26) is amended to read as follows: “EXCEPTION FOR GOVERNMENTAL PLANS”.

(3) Subparagraph (G) of section 401(k)(3) is amended by inserting “GOVERNMENTAL PLANS.—” after “(G)”.

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to years beginning after December 31, 2001.

#### SEC. 611. NOTICE AND CONSENT PERIOD REGARDING DISTRIBUTIONS.

(a) **EXPANSION OF PERIOD.**—

(1) **AMENDMENT OF INTERNAL REVENUE CODE.**—

(A) **IN GENERAL.**—Subparagraph (A) of section 417(a)(6) is amended by striking “90-day” and inserting “180-day”.

(B) **MODIFICATION OF REGULATIONS.**—The Secretary of the Treasury shall modify the regulations under sections 402(f), 411(a)(11), and 417 of the Internal Revenue Code of 1986 to substitute “180 days” for “90 days” each place it appears in Treasury Regulations sections 1.402(f)-1, 1.411(a)-11(c), and 1.417(e)-1(b).

(2) **AMENDMENT OF ERISA.**—Section 205(c)(7)(A) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1055(c)(7)(A)) is amended by striking “90-day” and inserting “180-day”.

(3) **EFFECTIVE DATE.**—The amendments made by paragraphs (1)(A) and (2) and the modifications required by paragraph (1)(B) shall apply to years beginning after December 31, 2001.

(b) **CONSENT REGULATION INAPPLICABLE TO CERTAIN DISTRIBUTIONS.**—

(1) **IN GENERAL.**—The Secretary of the Treasury shall modify the regulations under section 411(a)(11) of the Internal Revenue Code of 1986 to provide that the description of a participant's right, if any, to defer receipt of a distribution shall also describe the consequences of failing to defer such receipt.

(2) **EFFECTIVE DATE.**—The modifications required by paragraph (1) shall apply to years beginning after December 31, 2001.

(c) **DISCLOSURE OF OPTIONAL FORMS OF BENEFITS.**—

(1) **AMENDMENT OF INTERNAL REVENUE CODE.**—Section 417(a)(3) (relating to plan to provide written explanation) is amended by adding at the end the following:

“(C) **EXPLANATION OF OPTIONAL FORMS OF BENEFITS.**—

“(i) **IN GENERAL.**—If—

“(I) a plan provides optional forms of benefits, and

“(II) the present values of such forms of benefits are not actuarially equivalent as of the annuity starting date,

then each written explanation required to be provided under subparagraph (A) shall include the information described in clause (ii).

“(ii) **INFORMATION.**—A plan to which this subparagraph applies shall include sufficient information (as determined in accordance with regulations prescribed by the Secretary) to allow the participant to understand the differences in the present values of the optional forms of benefits provided by

the plan and the effect the participant's election as to the form of benefit will have on the value of the benefits available under the plan. Any such information shall be provided in a manner calculated to be reasonably understood by the average plan participant."

(2) AMENDMENT OF ERISA.—Section 205(c)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1055(c)(3)) is amended by adding at the end the following:

"(C)(i) If—

"(I) a plan provides optional forms of benefits, and

"(II) the present values of such forms of benefits are not actuarially equivalent as of the annuity starting date,

then such plan shall include the information described in clause (ii) with each written explanation required to be provided under subparagraph (A).

"(ii) A plan to which this subparagraph applies shall include sufficient information (as determined in accordance with regulations prescribed by the Secretary of the Treasury) to allow the participant to understand the differences in the present values of the optional forms of benefits provided by the plan and the effect the participant's election as to the form of benefit will have on the value of the benefits available under the plan. Any such information shall be provided in a manner calculated to be reasonably understood by the average plan participant."

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to years beginning after December 31, 2001.

#### SEC. 612. ANNUAL REPORT DISSEMINATION.

(a) IN GENERAL.—Section 104(b)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1024(b)(3)) is amended by striking "shall furnish" and inserting "shall make available for examination (and, upon request, shall furnish)".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to reports for years beginning after December 31, 2000.

#### SEC. 613. TECHNICAL CORRECTIONS TO SAVER ACT.

Section 517 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1147) is amended—

(1) in subsection (a), by striking "2001 and 2005 on or after September 1 of each year involved" and inserting "2001, 2005, and 2009 in the month of September of each year involved";

(2) in subsection (b), by adding at the end the following new sentence: "To effectuate the purposes of this paragraph, the Secretary may enter into a cooperative agreement, pursuant to the Federal Grant and Cooperative Agreement Act of 1977 (31 U.S.C. 6301 et seq.), with the American Savings Education Council.";

(3) in subsection (e)(2)—

(A) by striking "Committee on Labor and Human Resources" in subparagraph (D) and inserting "Committee on Health, Education, Labor, and Pensions";

(B) by striking subparagraph (F) and inserting the following:

"(F) the Chairman and Ranking Member of the Subcommittee on Labor, Health and Human Services, and Education of the Committee on Appropriations of the House of Representatives and the Chairman and Ranking Member of the Subcommittee on Labor, Health and Human Services, and Education of the Committee on Appropriations of the Senate";

(C) by redesignating subparagraph (G) as subparagraph (J); and

(D) by inserting after subparagraph (F) the following new subparagraphs:

"(G) the Chairman and Ranking Member of the Committee on Finance of the Senate;

"(H) the Chairman and Ranking Member of the Committee on Ways and Means of the House of Representatives;

"(I) the Chairman and Ranking Member of the Subcommittee on Employer-Employee Relations of the Committee on Education and the Workforce of the House of Representatives; and";

(4) in subsection (e)(3)(A)—

(A) by striking "There shall be no more than 200 additional participants." and inserting "The participants in the National Summit shall also include additional participants appointed under this subparagraph.";

(B) by striking "one-half shall be appointed by the President," in clause (i) and inserting "not more than 100 participants shall be appointed under this clause by the President," and by striking "and" at the end of clause (i);

(C) by striking "one-half shall be appointed by the elected leaders of Congress" in clause (ii) and inserting "not more than 100 participants shall be appointed under this clause by the elected leaders of Congress", and by striking the period at the end of clause (ii) and inserting "; and"; and

(D) by adding at the end the following new clause:

"(iii) The President, in consultation with the elected leaders of Congress referred to in subsection (a), may appoint under this clause additional participants to the National Summit. The number of such additional participants appointed under this clause may not exceed the lesser of 3 percent of the total number of all additional participants appointed under this paragraph, or 10. Such additional participants shall be appointed from persons nominated by the organization referred to in subsection (b)(2) which is made up of private sector businesses and associations partnered with Government entities to promote long term financial security in retirement through savings and with which the Secretary is required thereunder to consult and cooperate and shall not be Federal, State, or local government employees.";

(5) in subsection (e)(3)(B), by striking "January 31, 1998" in subparagraph (B) and inserting "May 1, 2001, May 1, 2005, and May 1, 2009, for each of the subsequent summits, respectively";

(6) in subsection (f)(1)(C), by inserting "no later than 90 days prior to the date of the commencement of the National Summit," after "comment" in paragraph (1)(C);

(7) in subsection (g), by inserting "in consultation with the congressional leaders specified in subsection (e)(2)," after "report";

(8) in subsection (i)—

(A) by striking "beginning on or after October 1, 1997" in paragraph (1) and inserting "2001, 2005, and 2009"; and

(B) by adding at the end the following new paragraph:

"(3) RECEPTION AND REPRESENTATION AUTHORITY.—The Secretary is hereby granted reception and representation authority limited specifically to the events at the National Summit. The Secretary shall use any private contributions accepted in connection with the National Summit prior to using funds appropriated for purposes of the National Summit pursuant to this paragraph.";

(9) in subsection (k)—

(A) by striking "shall enter into a contract on a sole-source basis" and inserting "may enter into a contract on a sole-source basis"; and

(B) by striking "fiscal year 1998" and inserting "fiscal years 2001, 2005, and 2009".

#### SEC. 614. STUDIES.

(a) REPORT ON PENSION COVERAGE.—Not later than 5 years after the date of the enact-

ment of this Act, the Secretary of the Treasury shall submit a report to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate a report on the effect of the provisions of the Retirement Security and Savings Act of 2001 on pension coverage, including—

(1) any expansion of coverage for low- and middle-income workers;

(2) levels of pension benefits;

(3) quality of pension coverage;

(4) worker's access to and participation in plans; and

(5) retirement security.

(b) STUDY OF PRERETIREMENT USE OF BENEFITS.—

(1) IN GENERAL.—The Secretary of the Treasury shall conduct a study of—

(A) current tax provisions allowing individuals to access individual retirement plans and qualified retirement plan benefits of such individual prior to retirement, including an analysis of—

(i) the extent of use of such current provisions by individuals; and

(ii) the extent to which such provisions undermine the goal of accumulating adequate resources for retirement; and

(B) the types of investment decisions made by individual retirement plan beneficiaries and participants in self-directed qualified retirement plans, including an analysis of—

(i) current restrictions on investments; and

(ii) the extent to which additional restrictions on investments would facilitate the accumulation of adequate income for retirement.

(2) REPORT.—Not later than January 1, 2003, the Secretary of the Treasury shall submit a report to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate containing the results of the study conducted under paragraph (1) and any recommendations.

#### TITLE VII—OTHER ERISA PROVISIONS

##### SEC. 701. MISSING PARTICIPANTS.

(a) IN GENERAL.—Section 4050 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1350) is amended by redesignating subsection (c) as subsection (e) and by inserting after subsection (b) the following new subsection:

"(c) MULTIEmployer PLANS.—The corporation shall prescribe rules similar to the rules in subsection (a) for multiemployer plans covered by this title that terminate under section 4041A.

"(d) PLANS NOT OTHERWISE SUBJECT TO TITLE.—

"(1) TRANSFER TO CORPORATION.—The plan administrator of a plan described in paragraph (4) may elect to transfer a missing participant's benefits to the corporation upon termination of the plan.

"(2) INFORMATION TO THE CORPORATION.—To the extent provided in regulations, the plan administrator of a plan described in paragraph (4) shall, upon termination of the plan, provide the corporation information with respect to benefits of a missing participant if the plan transfers such benefits—

"(A) to the corporation, or

"(B) to an entity other than the corporation or a plan described in paragraph (4)(B)(ii).

"(3) PAYMENT BY THE CORPORATION.—If benefits of a missing participant were transferred to the corporation under paragraph (1), the corporation shall, upon location of the participant or beneficiary, pay to the participant or beneficiary the amount transferred (or the appropriate survivor benefit) either—

"(A) in a single sum (plus interest), or

"(B) in such other form as is specified in regulations of the corporation.

“(4) PLANS DESCRIBED.—A plan is described in this paragraph if—

“(A) the plan is a pension plan (within the meaning of section 3(2))—

“(i) to which the provisions of this section do not apply (without regard to this subsection), and

“(ii) which is not a plan described in paragraphs (2) through (11) of section 4021(b), and

“(B) at the time the assets are to be distributed upon termination, the plan—

“(i) has missing participants, and

“(ii) has not provided for the transfer of assets to pay the benefits of all missing participants to another pension plan (within the meaning of section 3(2)).

“(5) CERTAIN PROVISIONS NOT TO APPLY.—Subsections (a)(1) and (a)(3) shall not apply to a plan described in paragraph (4).”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to distributions made after final regulations implementing subsections (c) and (d) of section 4050 of the Employee Retirement Income Security Act of 1974 (as added by subsection (a)), respectively, are prescribed.

#### SEC. 702. REDUCED PBGC PREMIUM FOR NEW PLANS OF SMALL EMPLOYERS.

(a) IN GENERAL.—Subparagraph (A) of section 4006(a)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1306(a)(3)(A)) is amended—

(1) in clause (i), by inserting “other than a new single-employer plan (as defined in subparagraph (F)) maintained by a small employer (as so defined),” after “single-employer plan,”

(2) in clause (iii), by striking the period at the end and inserting “, and”, and

(3) by adding at the end the following new clause:

“(iv) in the case of a new single-employer plan (as defined in subparagraph (F)) maintained by a small employer (as so defined) for the plan year, \$5 for each individual who is a participant in such plan during the plan year.”.

(b) DEFINITION OF NEW SINGLE-EMPLOYER PLAN.—Section 4006(a)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1306(a)(3)) is amended by adding at the end the following new subparagraph:

“(F)(i) For purposes of this paragraph, a single-employer plan maintained by a contributing sponsor shall be treated as a new single-employer plan for each of its first 5 plan years if, during the 36-month period ending on the date of the adoption of such plan, the sponsor or any member of such sponsor’s controlled group (or any predecessor of either) did not establish or maintain a plan to which this title applies with respect to which benefits were accrued for substantially the same employees as are in the new single-employer plan.

“(ii)(I) For purposes of this paragraph, the term ‘small employer’ means an employer which on the first day of any plan year has, in aggregation with all members of the controlled group of such employer, 100 or fewer employees.

“(II) In the case of a plan maintained by two or more contributing sponsors that are not part of the same controlled group, the employees of all contributing sponsors and controlled groups of such sponsors shall be aggregated for purposes of determining whether any contributing sponsor is a small employer.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plans established after December 31, 2001.

#### SEC. 703. REDUCTION OF ADDITIONAL PBGC PREMIUM FOR NEW AND SMALL PLANS.

(a) NEW PLANS.—Subparagraph (E) of section 4006(a)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C.

1306(a)(3)(E)) is amended by adding at the end the following new clause:

“(v) In the case of a new defined benefit plan, the amount determined under clause (ii) for any plan year shall be an amount equal to the product of the amount determined under clause (ii) and the applicable percentage. For purposes of this clause, the term ‘applicable percentage’ means—

“(I) 0 percent, for the first plan year.

“(II) 20 percent, for the second plan year.

“(III) 40 percent, for the third plan year.

“(IV) 60 percent, for the fourth plan year.

“(V) 80 percent, for the fifth plan year.

For purposes of this clause, a defined benefit plan (as defined in section 3(35)) maintained by a contributing sponsor shall be treated as a new defined benefit plan for each of its first 5 plan years if, during the 36-month period ending on the date of the adoption of the plan, the sponsor and each member of any controlled group including the sponsor (or any predecessor of either) did not establish or maintain a plan to which this title applies with respect to which benefits were accrued for substantially the same employees as are in the new plan.”.

(b) SMALL PLANS.—Paragraph (3) of section 4006(a) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1306(a)), as amended by section 702(b), is amended—

(1) by striking “The” in subparagraph (E)(i) and inserting “Except as provided in subparagraph (G), the”, and

(2) by inserting after subparagraph (F) the following new subparagraph:

“(G)(i) In the case of an employer who has 25 or fewer employees on the first day of the plan year, the additional premium determined under subparagraph (E) for each participant shall not exceed \$5 multiplied by the number of participants in the plan as of the close of the preceding plan year.

“(ii) For purposes of clause (i), whether an employer has 25 or fewer employees on the first day of the plan year is determined taking into consideration all of the employees of all members of the contributing sponsor’s controlled group. In the case of a plan maintained by two or more contributing sponsors, the employees of all contributing sponsors and their controlled groups shall be aggregated for purposes of determining whether the 25-or-fewer-employees limitation has been satisfied.”.

(c) EFFECTIVE DATES.—

(1) SUBSECTION (a).—The amendments made by subsection (a) shall apply to plans established after December 31, 2001.

(2) SUBSECTION (b).—The amendments made by subsection (b) shall apply to plan years beginning after December 31, 2001.

#### SEC. 704. AUTHORIZATION FOR PBGC TO PAY INTEREST ON PREMIUM OVERPAYMENT REFUNDS.

(a) IN GENERAL.—Section 4007(b) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1307(b)) is amended—

(1) by striking “(b)” and inserting “(b)(1)”, and

(2) by inserting at the end the following new paragraph:

“(2) The corporation is authorized to pay, subject to regulations prescribed by the corporation, interest on the amount of any overpayment of premium refunded to a designated payor. Interest under this paragraph shall be calculated at the same rate and in the same manner as interest is calculated for underpayments under paragraph (1).”.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to interest accruing for periods beginning not earlier than the date of the enactment of this Act.

#### SEC. 705. SUBSTANTIAL OWNER BENEFITS IN TERMINATED PLANS.

(a) MODIFICATION OF PHASE-IN OF GUARANTEE.—Section 4022(b)(5) of the Employee

Retirement Income Security Act of 1974 (29 U.S.C. 1322(b)(5)) is amended to read as follows:

“(5)(A) For purposes of this paragraph, the term ‘majority owner’ means an individual who, at any time during the 60-month period ending on the date the determination is being made—

“(i) owns the entire interest in an unincorporated trade or business,

“(ii) in the case of a partnership, is a partner who owns, directly or indirectly, 50 percent or more of either the capital interest or the profits interest in such partnership, or

“(iii) in the case of a corporation, owns, directly or indirectly, 50 percent or more in value of either the voting stock of that corporation or all the stock of that corporation. For purposes of clause (iii), the constructive ownership rules of section 1563(e) of the Internal Revenue Code of 1986 shall apply (determined without regard to section 1563(e)(3)(C)).

“(B) In the case of a participant who is a majority owner, the amount of benefits guaranteed under this section shall equal the product of—

“(i) a fraction (not to exceed 1) the numerator of which is the number of years from the later of the effective date or the adoption date of the plan to the termination date, and the denominator of which is 10, and

“(ii) the amount of benefits that would be guaranteed under this section if the participant were not a majority owner.”.

(b) MODIFICATION OF ALLOCATION OF ASSETS.—

(1) Section 4044(a)(4)(B) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1344(a)(4)(B)) is amended by striking “section 4022(b)(5)” and inserting “section 4022(b)(5)(B)”.

(2) Section 4044(b) of such Act (29 U.S.C. 1344(b)) is amended—

(A) by striking “(5)” in paragraph (2) and inserting “(4), (5)”, and

(B) by redesignating paragraphs (3) through (6) as paragraphs (4) through (7), respectively, and by inserting after paragraph (2) the following new paragraph:

“(3) If assets available for allocation under paragraph (4) of subsection (a) are insufficient to satisfy in full the benefits of all individuals who are described in that paragraph, the assets shall be allocated first to benefits described in subparagraph (A) of that paragraph. Any remaining assets shall then be allocated to benefits described in subparagraph (B) of that paragraph. If assets allocated to such subparagraph (B) are insufficient to satisfy in full the benefits described in that subparagraph, the assets shall be allocated pro rata among individuals on the basis of the present value (as of the termination date) of their respective benefits described in that subparagraph.”.

(c) CONFORMING AMENDMENTS.—

(1) Section 4021 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1321) is amended—

(A) in subsection (b)(9), by striking “as defined in section 4022(b)(6)”, and

(B) by adding at the end the following new subsection:

“(d) For purposes of subsection (b)(9), the term ‘substantial owner’ means an individual who, at any time during the 60-month period ending on the date the determination is being made—

“(1) owns the entire interest in an unincorporated trade or business,

“(2) in the case of a partnership, is a partner who owns, directly or indirectly, more than 10 percent of either the capital interest or the profits interest in such partnership, or

“(3) in the case of a corporation, owns, directly or indirectly, more than 10 percent in

value of either the voting stock of that corporation or all the stock of that corporation. For purposes of paragraph (3), the constructive ownership rules of section 1563(e) of the Internal Revenue Code of 1986 shall apply (determined without regard to section 1563(e)(3)(C))."

(2) Section 4043(c)(7) of such Act (29 U.S.C. 1343(c)(7)) is amended by striking "section 4022(b)(6)" and inserting "section 4021(d)".

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to plan terminations—

(A) under section 4041(c) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1341(c)) with respect to which notices of intent to terminate are provided under section 4041(a)(2) of such Act (29 U.S.C. 1341(a)(2)) after December 31, 2001, and

(B) under section 4042 of such Act (29 U.S.C. 1342) with respect to which proceedings are instituted by the corporation after such date.

(2) CONFORMING AMENDMENTS.—The amendments made by subsection (c) shall take effect on January 1, 2002.

#### SEC. 706. CIVIL PENALTIES FOR BREACH OF FIDUCIARY RESPONSIBILITY.

(a) IMPOSITION AND AMOUNT OF PENALTY MADE DISCRETIONARY.—Section 502(l)(1) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1132(l)(1)) is amended—

(1) by striking "shall" and inserting "may", and

(2) by striking "equal to" and inserting "not greater than".

(b) APPLICABLE RECOVERY AMOUNT.—Section 502(l)(2) of such Act (29 U.S.C. 1132(l)(2)) is amended to read as follows:

"(2) For purposes of paragraph (1), the term 'applicable recovery amount' means any amount which is recovered from any fiduciary or other person (or from any other person on behalf of any such fiduciary or other person) with respect to a breach or violation described in paragraph (1) on or after the 30th day following receipt by such fiduciary or other person of written notice from the Secretary of the violation, whether paid voluntarily or by order of a court in a judicial proceeding instituted by the Secretary under paragraph (2) or (5) of subsection (a). The Secretary may, in the Secretary's sole discretion, extend the 30-day period described in the preceding sentence."

(c) OTHER RULES.—Section 502(l) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1132(l)) is amended by adding at the end the following new paragraph:

"(5) A person shall be jointly and severally liable for the penalty described in paragraph (1) to the same extent that such person is jointly and severally liable for the applicable recovery amount on which the penalty is based.

"(6) No penalty shall be assessed under this subsection unless the person against whom the penalty is assessed is given notice and opportunity for a hearing with respect to the violation and applicable recovery amount."

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply to any breach of fiduciary responsibility or other violation of part 4 of subtitle B of title I of the Employee Retirement Income Security Act of 1974 occurring on or after the date of enactment of this Act.

(2) TRANSITION RULE.—In applying the amendment made by subsection (b) (relating to applicable recovery amount), a breach or other violation occurring before the date of enactment of this Act which continues after the 180th day after such date (and which may have been discontinued at any time during its existence) shall be treated as having occurred after such date of enactment.

#### SEC. 707. BENEFIT SUSPENSION NOTICE.

(a) MODIFICATION OF REGULATION.—The Secretary of Labor shall modify the regulation under section 203(a)(3)(B) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(a)(3)(B)) to provide that the notification required by such regulation—

(1) in the case of an employee who returns to work for a former employer after commencement of payment of benefits under the plan shall—

(A) be made during the first calendar month or payroll period in which the plan withholds payments, and

(B) if a reduced rate of future benefit accruals will apply to the returning employee (as of the first date of participation in the plan by the employee after returning to work), include a statement that the rate of future benefit accruals will be reduced, and

(2) in the case of any employee who is not described in paragraph (1)—

(A) may be included in the summary plan description for the plan furnished in accordance with section 104(b) of such Act (29 U.S.C. 1024(b)), rather than in a separate notice, and

(B) need not include a copy of the relevant plan provisions.

(b) EFFECTIVE DATE.—The modification made under this section shall apply to plan years beginning after December 31, 2001.

#### TITLE VIII—PLAN AMENDMENTS

##### SEC. 801. PROVISIONS RELATING TO PLAN AMENDMENTS.

(a) IN GENERAL.—If this section applies to any plan or contract amendment—

(1) such plan or contract shall be treated as being operated in accordance with the terms of the plan during the period described in subsection (b)(2)(A), and

(2) except as provided by the Secretary of the Treasury, such plan shall not fail to meet the requirements of section 411(d)(6) of the Internal Revenue Code of 1986 or section 204(g) of the Employee Retirement Income Security Act of 1974 by reason of such amendment.

(b) AMENDMENTS TO WHICH SECTION APPLIES.—

(1) IN GENERAL.—This section shall apply to any amendment to any plan or annuity contract which is made—

(A) pursuant to any amendment made by this Act, or pursuant to any regulation issued under this Act, and

(B) on or before the last day of the first plan year beginning on or after January 1, 2005.

In the case of a governmental plan (as defined in section 414(d) of the Internal Revenue Code of 1986), this paragraph shall be applied by substituting "2007" for "2005".

(2) CONDITIONS.—This section shall not apply to any amendment unless—

(A) during the period—

(i) beginning on the date the legislative or regulatory amendment described in paragraph (1)(A) takes effect (or in the case of a plan or contract amendment not required by such legislative or regulatory amendment, the effective date specified by the plan); and

(ii) ending on the date described in paragraph (1)(B) (or, if earlier, the date the plan or contract amendment is adopted),

the plan or contract is operated as if such plan or contract amendment were in effect; and

(B) such plan or contract amendment applies retroactively for such period.

Mr. BAUCUS. Mr. President, I am very pleased to be joining my chairman, Senator GRASSLEY, to introduce this bill today. I also want to express my particular appreciation to Senator

BOB GRAHAM and Senator JEFFORDS, without whose tireless work on pension issues this bill would not have been possible.

We all know that our nation is facing a demographic shift of tremendous proportions in the coming decades. There are over 35 million people over the age of 65 today. By 2050, the number of people aged 65 and older is estimated to rise above 81 million.

Yet we have watched the oncoming wave of retirements without adequately preparing for them, either as a nation, or as individuals.

About three in every four workers say they have personally begun saving for retirement outside the Social Security system. But the amounts accumulated by workers as a whole are unimpressive. Most have accumulated less than \$50,000 in their retirement accounts. One-half of all 401(k) accounts have balances of less than \$10,000. Now some of these small amounts, not surprisingly, belong to younger workers who have more time for those assets to grow. But only one-fourth of those aged 35 and older have saved more than \$100,000.

Americans can already expect to live about a quarter of their lives in retirement. As advances in medicine conquer more and more life threatening diseases such as cancer and stroke, more of us will live to see our second century—spending a full one-third of our lives in retirement. Every dollar we save will need to be stretched further as we live longer. Our ability and willingness to save now will define whether those retirement years are spent in comfort or poverty.

The American people have many wonderful qualities. But, these days, unfortunately, thrift isn't one of them.

During the last twenty years, personal savings rates have consistently declined, from a peak of just under 11 percent of GDP in the 1970's and 1980's to today's abysmal numbers. Personal saving as a percentage of disposable income have been in negative territory since last July, and the preliminary estimate for February is a negative 1.3 percent, the same as in January.

What does this matter? A low savings rate means that people aren't putting their own money away for retirement. That makes them more dependent on Social Security.

Sixteen percent of today's retirees rely exclusively on Social Security benefits for their retirement income, and two-thirds of all retirees rely on Social Security for over one-half of their retirement income. Yet Social Security only replaces an average of 40 percent of a worker's income, because the program was never designed to be a retiree's sole source of support. If retirees continue to rely so heavily on Social Security, there will still be far too many Americans spending their retirement years one step away from poverty.

On top of that, a low savings rate means that less capital is available for

new investments today. Increased capital for investment is an essential element to our international competitiveness, and critical in a time of slow economic growth such as we have now. Helping more Americans save for their retirement will be a long-term economic stimulus for our country.

The bill we are introducing here today represents a bi-partisan effort to reverse this trend. It will expand savings opportunities for those who are not saving enough, and provide incentives for those who are not saving at all. It is endorsed by a broad cross-section of groups representing the pension community, from the Retirement Savings Network to the AARP.

The bill reforms the tax rules for pension plans. It makes pensions more portable, to make it easier for workers to take their pensions with them when they change jobs. It strengthens pensions security and enforcement. It expands coverage for small businesses. It enhances pension fairness of women. And it encourages retirement education.

The bill also increases the contribution limits for Individual Retirement Accounts. IRAs have proven to be a very popular way for millions of workers to save for retirement, particularly for those who don't have pension plans available through their employers. The IRA limits haven't been increased since they were created almost two decades ago. They are long overdue for an increase. In addition to the IRA provisions, the bill increases contribution limits for employer-sponsored pension plans such as 401(k) plans.

These are positive changes. However, by and large, they reinforce the conventional approach to retirement incentives. That approach can best be described as a "top down" approach. We create incentives for people with higher incomes, hoping that the so-called nondiscrimination rules will give the higher paid folks an incentive to encourage more participation by others, such as through employer matching programs.

I don't have a problem with this approach, as far as it goes. But it doesn't do enough to reach out to middle and lower income workers.

That's why I am particularly pleased that the bill goes further, by creating two new savings incentives. One creates new incentives to encourage small businesses to establish pension plans for their employees. The other creates a new matching program to help workers save their own money for retirement.

Let me discuss each in turn.

First, the incentives for small businesses. Unlike larger companies, most small business owners don't offer pension plans. While three out of every four workers at large companies are participating in some form of pension plan, only one out of every three employees of small businesses have pensions. This leaves over 30 million workers without a pension plan.

It's not that small businesses don't want to provide pension plans. They simply can't afford to. In a recent survey of small employers by the Employee Benefit Research Institute, 65 percent of all small business owners said tax credits for start-up costs would be strong incentives for starting retirement plans. They said tax credits are second only to an increase in business profits as a motivation to small employers to offer a pension plan to their employees.

The Grassley-Baucus bill provides this motivation by creating two new tax credits.

The first is a tax credit of up to \$500 to help defray the administrative costs of starting a new plan.

The second is a tax credit to help employers contribute to a new plan on behalf of their lower paid employees. In effect, it is a match of amounts employers in small firms put into new retirement plans for their employees, up to a limit of 3% of the salaries of these workers.

Taken together, these new incentives will make it easier for small businesses to reach out to their employees and provide them with a pension.

In addition, the bill creates a new tax credit that's aimed primarily at workers who do not have a pension plan available to them, to encourage them to save for themselves.

Only one-third of families with incomes under \$25,000 are saving for retirement either through a pension plan or in an IRA. This compares with 85 percent of families with incomes over \$50,000 who are saving for retirement.

We clearly need to provide an incentive for those families who aren't saving right now, and the individual savings credit included in the Grassley-Baucus bill will provide that incentive.

Here's how it works. A couple with a joint income of \$30,000 is eligible for a 50% tax credit for the amount that they save each year, for savings of up to \$2000. People with higher incomes get a smaller match, up to a joint income of \$50,000.

According to the Joint Tax Committee, over 8 million families will be eligible for the individual savings credit. This will provide a strong incentive for these families to begin setting aside money for their retirement.

I understand pension incentives are not currently part of the President's tax plan. But I strongly believe this period of surpluses gives us a unique opportunity to help millions of individual Americans save for the future—an opportunity that we shouldn't pass up. Enacting the Grassley-Baucus bill also will help our economy grow by reducing the cost of capital, providing a long-term stimulus to economic growth.

This bill will help those who are already thrifty and need the government to loosen limits on saving. But it will also help the many people who have been left behind. Good people, who are working hard to make ends meet, but

having trouble also saving for a rainy day.

This bill reaches out to all of them. It is a bipartisan effort to give every working person in this country a real stake in the American Dream.

I urge my colleagues to join us as cosponsors.

Mr. GRAHAM. Mr. President, I rise today along with Senators GRASSLEY and BAUCUS to introduce the Retirement Security and Savings Act of 2001. I am honored to be here today, in a bipartisan group, and especially with my colleague Senator GRASSLEY, who has put a tremendous effort into crafting many parts of this bill. He and I recognize that for our nation to solve what will be one of this generation's greatest challenges, building retirement security for today's workers, we need to move in a common sense, bipartisan fashion.

Many of the original cosponsors have dedicated their years in the Senate to crafting key sections of this legislation. Senator GRASSLEY's efforts have expanded fairness for women and families, and highlighted the benefits of retirement education. Senator BAUCUS has also been a prime contributor to this legislation, fostering the proposals to expand pension coverage and ease the administrative burdens on America's small businesses.

We have come here today, from both sides of the aisle, to ensure that future generations have a strong and viable retirement security system.

Retirement today is a much different prospect than it was a generation ago. Retirees can expect to live much longer. Their health care needs are different and they are much more likely to need long-term care.

Planning for retirement has also changed. Thirty years ago retirement planning consisted of picking an employer with a good pension plan and sticking with that company for 30 years.

Traditional pensions, with their clockwork monthly checks in return for a defined term of service, are becoming nostalgic memories. Increasingly, employers are turning to defined contribution plans—401(k)s and the like.

For example, twenty-five years ago nearly 31 million American workers were covered by a pension plan. Of those, 87 percent had a defined benefit plan, according to the Department of Labor. Today, less than one-half of workers covered by a retirement plan have a defined benefit plan, while 54 percent are covered by a defined contribution plan.

An employee with a 401(k) account can count on getting only one thing each month—a statement tracking account investments that rise and fall with financial markets. The burden of ensuring that there are sufficient assets in their 401(k) plans falls upon them.

And these are the lucky workers. Many employers—small businesses in

particular—do not offer any kind of employer-sponsored retirement plan. Workers at these businesses are left to fend for themselves.

Recent statistics from the Social Security Administration illustrate the importance of each component of retirement income. 38 percent of retirees' income came from Social Security, 19 percent from employer-sponsored savings plans or pensions, and 19 percent from savings. The rest was unidentified income or earnings from work.

Clearly, Social Security alone is not sufficient basis for a solid retirement plan. Adequate retirement security these days involves planning and coordinating three principal sources of income: Social Security, employer-based pensions and personal savings.

Pensions and personal savings will make up an ever-increasing part of retirement security. Today, if a worker retires with no savings and no pension, nearly 40 percent of his/her retirement income is lost. Even as retirees are becoming more heavily reliant on pensions, statistics show that 45 million working Americans are still not covered by any type of retirement plan.

There are a number of reasons why fewer and fewer working Americans are earning retirement benefits. First, job tenure has fallen. Today's workers no longer dedicate their entire working life to one company. Now, the average worker will have had 7 employers in a 40-year work career. The mobility of working Americans, and the necessity of businesses to restructure their workforce, can create tremendous obstacles in ever being able to fully vest, and obtain retirement benefits.

Second, small businesses, the most dynamic part of our economy, are the least able to offer their workers retirement benefits. Studies indicate that small businesses are responsible for a large portion of the country's job growth, and that this trend will accelerate in the future.

Third, our economy has shifted away from manufacturing jobs, which tend to offer pensions, to service and retail jobs, which tend to have shorter job tenure, more part-time workers, and less likelihood of providing pension and retirement benefits.

And finally, there are fewer union workers. Collective bargaining agreements are the most likely to contain retirement benefits. There are fewer union workers than 20 years ago, and the number is still declining. Therefore, less people will have important lifetime retirement security.

It is imperative that Congress take action to improve the private side of retirement security and encourage personal savings. Our bill, the Retirement Security and Savings Act, will help hard-working Americans build personal retirement savings through 401(k)s and IRAs.

To achieve this goal, we focused on six areas: simplification, portability, expanded coverage for small business, pension security and enforcement,

women's equity issues, and expanding retirement planning and education opportunities.

This legislation benefits both employers and workers. Employers get simpler pension systems with less administrative burden, and more loyal employees. And workers build secure retirement and watch their savings accumulate over years of work.

A large section of this legislation deals with expanded coverage for small businesses. It's such an important component of this bill because small businesses have the greatest difficulty achieving retirement security.

The problem: statistics indicate that only a small percentage of workers in firms of less than 100 employees have access to a retirement plan. We take a step forward in eliminating one of the first hurdles that a small business faces when it establishes a pension plan. On one hand, the federal government encourages these businesses to establish pension plans. Yet on the other hand, we turn around and charge the small business, at times, up to one thousand dollars to register their plan with the Internal Revenue Service.

The solution: our bill eliminates this fee for small businesses. We need to encourage small businesses to start plans, not discourage them with high registration fees.

This legislation also addresses the inadequacy of retirement security for women and families. Generally speaking, women live longer than men, and therefore, need greater savings for retirement. Yet our pension and retirement laws do not reflect this. Women are more mobile than men, moving in and out of the workforce due to family responsibilities; thus, they have less of a chance to become vested. Our legislation offers a solution—shrinking the five-year vesting cycle to a three-year cycle.

As I mentioned earlier, the current U.S. worker will have seven different employers over their lifetime. We have the possibility of creating a generation of American workers who will retire with many small accounts—creating a complex maze of statements and features, different for each account. This is a problem—pensions should be portable from job to job.

Unfortunately, our tax laws contain barriers to retirement-account portability and so the major benefit of defined-contribution plans are often rendered unusable. Workers changing jobs are often given their savings back in a lump sum that doesn't always make it back into an Individual Retirement Account or their new employer's 401(k). The result is that retirement savings get spent before retirement.

Our bill provides a solution to this problem. It allows employees to roll one retirement account into another as they move from job to job so that when they retire, they will have one retirement account. It's easier to monitor, less complicated to keep track of, and builds a more secure retirement for the worker.

Portability is important, but we must also reduce the red tape. The main obstacle that companies face in establishing retirement programs is the administrative burden. For example: for small plans, it costs \$228 per person per year just to comply with all the forms, tests and regulations.

We have a common sense remedy to one of the most vexing problems in pension administration: figuring out how much money to contribute to the company's plan. It's a complex formula of facts, statistics and assumptions. We want to be able to say to plans that have no problem with underfunding: to help make these calculations, you can use the prior year's data to help make the proper contribution. You don't have to re-sort through the numbers each and every year. Companies will be able to calculate, and then budget accordingly—and not wait until figures and rates out of their control are released by outside sources.

I have said time and time again that Americans are not saving. But those who are oftentimes hit limits on the amounts they can save. The problem is that most of these limits were established more than 20 years ago. Currently, for example, in a 401(k) plan the IRS limits the amount an employee can contribute to \$10,500 a year.

Our solution is to raise that limit to \$15,000, along with raising many other limits that affect savings in order to build a more secure retirement for working Americans.

Building retirement security will also take some education. One of the principal reasons Americans do not prepare for retirement is that they don't understand the benefits that are available to them.

One solution to this dilemma is regular and easy to read benefit statements from employers reminding workers early in their career of the importance of retirement savings. These statements would clarify what benefits workers are accruing. With this information each American will more easily be able to determine the personal savings they need in order to build a sound retirement.

The new retirement paradigm requires Congress and individual workers to rededicate themselves to the goal of retirement security. If we fail, the consequences will be harsh. That's particularly true in Florida, a popular retirement destination that could be devastated by an influx of seniors inadequately prepared for their retirement.

While Florida would be hit first, the nation as a whole will eventually feel the pain as the population ages faster than the workforce. To those who would suggest this is the distant future, remember how far high school seemed when you were in the sixth grade, how 30 once loomed eons from 25, and how we once thought our parents would be young and healthy forever.

With the introduction of this legislation today it is my goal to ensure that



each American who works hard for thirty or forty years has gotten every opportunity for a secure and comfortable retirement.

I thank my colleagues who have worked so hard with me on this measure, and ask for the support of those in this Chamber on this important legislation.

Mr. HATCH. Mr. President, I rise today to express my support for the Retirement Security and Savings Act of 2001, and I am pleased to once again join my colleagues as an original cosponsor of this important legislation. Enactment of this bill would encourage more businesses to offer pension plans to their employees by simplifying the complex and burdensome pension rules they face and would also make it easier for employees to save for their own retirement.

I want to congratulate my colleague, the chairman of the Finance Committee, Senator GRASSLEY, for his effective and persistent leadership on this issue. Senators GRASSLEY, BAUCUS, GRAHAM, and JEFFORDS, along with myself and several other Senators, have been working on enactment of a bipartisan pension simplification and retirement savings enhancement bill for several years now. These efforts led to the successful passage of a bipartisan package of such provisions in the Taxpayer Refund and Reform Act of 1999, which was unfortunately vetoed by President Clinton. We again came close to the goal line last year when the Finance Committee reported out a bill containing similar provisions. The ultimate objective of enactment has been elusive, however. Introduction of this legislation today is the first step of what I hope will be the successful completion to this long quest.

However, I have some serious concerns with some changes that were made to the bill being introduced today, compared with earlier versions. Specifically, important changes to the top-heavy rules that affect small businesses have been left out. Let me explain.

Today's pension laws are complicated and cumbersome and a deterrent to small businesses wanting to establish a retirement plan. In 1996, Congress began the job of pension simplification when it passed the Small Business Job Protection Act. This Act contained important changes to our pension laws, including two simplification provisions important to small and family-owned businesses—an exemption from costly nondiscrimination testing for 401(k) plans that meet certain safe harbors, such as providing a minimum level of benefits to non-highly paid employees, and the elimination of complex and duplicative family aggregation rules.

Unfortunately, these changes did not apply to the top-heavy rules. The top-heavy rules are additional testing and minimum benefit requirements aimed at ensuring that owner-dominated plans do not discriminate against lower-paid workers. Due to their de-

sign, top-heavy rules generally only affect business with fewer than 100 employees.

I recognize the need to protect lower-paid employees from discrimination in the design of retirement plans. However, the top-heavy rules can be duplicative and especially harmful in that they discourage small employers from establishing pension plans because they add to the cost and administrative burden of sponsoring a plan. In the end, rules like these that were designed to protect employees can end up harming them by leaving them with no employer-provided retirement coverage. Moreover, the general nondiscrimination rules have been strengthened over the years since the enactment of the top-heavy rules, and are further strengthened by the provisions of the bill being introduced today. Therefore, eliminating these duplicative top-heavy rules would not leave workers unprotected. It would, however, remove a disincentive for small employers to sponsor a retirement plan.

H.R. 1102, the pension simplification bill that passed the House of Representatives and the Finance Committee last year with broad bipartisan support, as well as H.R. 10, this year's version of the so-called Portman-Cardin bill recently introduced in the House, contain two important provisions that were left out of the bill being introduced today. These two omitted provisions would exempt safe-harbor 401(k) plans from the top-heavy rules and remove the family aggregation requirement from the top-heavy rules.

First, the 401(k) safe harbor provides exactly what the top-heavy rules attempt to do—guarantee that non-highly paid workers get a minimum level of benefits and are not discriminated against. In return, employers can avoid costly nondiscrimination testing. Congress provided the safe-harbors to encourage small employers to create new pension plans and provide more generous benefits to employees. However, because qualification for the safe harbor does not exclude a plan from the top-heavy rules, the fear of costly testing can be a serious deterrent to businesses wishing to take advantage of the safe harbor, even if the plan satisfies the minimum benefit requirements. Thus, in order to provide certainty and encouragement to small businesses, 401(k) plans that meet the safe harbor rules should also be exempt from top-heavy testing.

Second, as was noted by Congress in 1996, the family aggregation rules are complex and unnecessary in light of the numerous other provisions that protect against pension plans disproportionately favoring high-paid workers. Moreover, requiring the aggregation of family members when testing pension plans imposes undue restrictions on the ability of a family-owned business to provide adequate retirement benefits for all members of the family working for the business.

Therefore, Congress should complete the task of easing this burden on family-owned businesses by removing the family aggregation requirement from the top-heavy rules.

On the whole I support the legislation we are introducing today. It would go a long way toward increasing the retirement security for millions of Americans. However, I am disappointed that these two provisions, along with several others, were dropped from the bill. These two provisions are particularly important tools in our effort to expand employee retirement coverage by encouraging small businesses to establish pension plans. As pension reform legislation makes its way through the legislative process, I will work to try to restore these provisions so that small family-owned businesses will have more certainty and confidence and fewer unnecessary burdens and costs when establishing pension plans for their workers.

By Mr. REED (for himself, Mrs. CLINTON, and Mr. SCHUMER):

S. 743. A bill to establish a medical education trust fund, and for other purposes; to the Committee on Finance.

Mr. REED. Mr. President, today I am introducing legislation along with my colleague Senator CLINTON, that establishes a Medical Education Trust Fund to support America's 144 medical schools and 1,250 graduate medical education, GME, teaching institutions. These institutions are national treasures, they are the very best in the world and deserve explicit and dedicated funding to guarantee that the United States continues to lead the world in the quality of its medical education and its health care delivery system.

The Medical Education Trust Fund Act, METFA, of 2001 recognizes the need to begin moving away from existing medical education payment policies. The primary and immediate purpose of the legislation is to establish as Federal policy that medical education is a public good that all sectors of the health care system must support. This bill ensures that public and private insurers share the burden of financing medical education equitably. As such, METFA will be funded through three sources: a 1.5 percent assessment on health insurance premiums, Medicare, and Medicaid. The relative contribution from each of these sources is in rough proportion to the medical education costs attributable to their respective covered populations.

GME is increasingly becoming hostage to fights over larger questions about the solvency and design of the Medicare system. The very commission entrusted to protect the integrity of the Medicare program, MedPAC, itself has succumbed to political and ideological pressures by recommending that the GME program be removed from the Health Insurance Trust Fund and thrown into the appropriations process. I cannot stress strongly

enough how important it is to reject this recommendation. To subject GME to the annual appropriations process does nothing more than to put a vital program in direct competition with many other important federal priorities in a budget that the Bush Administration is already severely constraining. We have seen this first hand in working through the 2002 budget, where the current Administration has proposed to cut a large portion of the Pediatric GME program to fund other programs. Leaving this program unprotected, will incite the same type of particularized special interest advocacy that we see emerging in other areas of health care. I urge my colleagues to reject this dangerous notion and instead call on all of you to support the concept embodied in this bill.

This legislation, METFA, is not my innovation. It is an idea, pioneered by our former colleague, Senator Moynihan. This bill recognizes that medical education is the responsibility of all who benefit from it and must therefore share in the responsibility to support it. As Senator Moynihan once said "medical education is one of America's most precious public resources." He understood that despite the increasingly competitive health care system of our time, that medical education was a public good, that is, "a good from which everyone benefits but for which no one is willing to pay."

Some health reformers argue that in fact, GME does not meet the requirements of a public good and that therefore, an all-payer system is nothing more than a form of taxation. I beg to differ. Health care is not a commodity. While we can and should rely on competition to hold down costs in much of the health system, we must not allow it to bring a premature end to this great age of medical discovery, an age made possible by this country's exceptionally well trained health professionals and superior medical schools and teaching hospitals. Indeed, through the NIH and the tax code we have successfully and robustly, subsidized the development of new wonder drugs, and I certainly don't think anyone is suggesting that we change this policy, my legislation complements a competitive health market by providing tax-supported funding for the public services provided by teaching hospitals and medical schools.

The legislation we introduce today is only the beginning. It establishes the principle that, as a public good, medical education should be supported by a stable, dedicated, long-term source of funding. To ensure that the United States continues to lead the world in the quality of its medical education and its health system as a whole, the legislation would also create a Medical Education Advisory Commission to conduct a thorough study and make recommendations, including the potential use of demonstration projects, regarding the following: alternative and additional sources of medical edu-

cation financing; alternative methodologies for financing medical education; policies designed to maintain superior research and educational capacities in an increasingly competitive health system; the appropriate role of medical schools in graduate medical education; policies designed to expand eligibility for graduate medical education payments to institutions other than teaching hospitals, including children's hospital.

The services provided by our nation's teaching hospitals and medical schools, groundbreaking research, highly skilled medical care, and the training of tomorrow's physicians, are vitally important and must be protected in this time of intense economic competition in the health system.

I ask unanimous consent that the text of the bill be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 743

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

# SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the "Medical Education Trust Fund Act of 2001".

(b) TABLE OF CONTENTS.—The table of contents of this Act is as follows:

- Sec. 1. Short title; table of contents.
- Sec. 2. Medical Education Trust Fund.
- Sec. 3. Amendments to medicare program.
- Sec. 4. Amendments to medicaid program.
- Sec. 5. Assessments on insured and self-insured health plans.
- Sec. 6. Medical Education Advisory Commission.
- Sec. 7. Demonstration projects.

# SEC. 2. MEDICAL EDUCATION TRUST FUND.

The Social Security Act (42 U.S.C. 300 et seq.) is amended by adding after title XXI the following new title:

## "TITLE XXII—MEDICAL EDUCATION TRUST FUND

### "TABLE OF CONTENTS OF TITLE

- "Sec. 2201. Establishment of Trust Fund.
- "Sec. 2202. Payments to medical schools.
- "Sec. 2203. Payments to teaching hospitals.

# "SEC. 2201. ESTABLISHMENT OF TRUST FUND.

"(a) IN GENERAL.—There is established in the Treasury of the United States a fund to be known as the Medical Education Trust Fund (in this title referred to as the 'Trust Fund'), consisting of the following accounts:

- "(1) The Medical School Account.
- "(2) The Medicare Teaching Hospital Indirect Account.
- "(3) The Medicare Teaching Hospital Direct Account.
- "(4) The Non-Medicare Teaching Hospital Indirect Account.
- "(5) The Non-Medicare Teaching Hospital Direct Account.

Each such account shall consist of such amounts as are allocated and transferred to such account under this section, sections 1886(m) and 1936, and section 4503 of the Internal Revenue Code of 1986. Amounts in the accounts of the Trust Fund shall remain available until expended.

"(b) EXPENDITURES FROM TRUST FUND.—Amounts in the accounts of the Trust Fund are available to the Secretary for making payments under sections 2202 and 2203.

"(c) INVESTMENT.—

"(1) IN GENERAL.—The Secretary of the Treasury shall invest amounts in the accounts of the Trust Fund which the Secretary determines are not required to meet current withdrawals from the Trust Fund. Such investments may be made only in interest-bearing obligations of the United States. For such purpose, such obligations may be acquired on original issue at the issue price, or by purchase of outstanding obligations at the market price.

"(2) SALE OF OBLIGATIONS.—The Secretary of the Treasury may sell at market price any obligation acquired under paragraph (1).

"(3) AVAILABILITY OF INCOME.—Any interest derived from obligations held in each such account, and proceeds from any sale or redemption of such obligations, are hereby appropriated to such account.

"(d) MONETARY GIFTS TO TRUST FUND.—There are appropriated to the Trust Fund such amounts as may be unconditionally donated to the Federal Government as gifts to the Trust Fund. Such amounts shall be allocated and transferred to the accounts described in subsection (a) in the same proportion as the amounts in each of the accounts bears to the total amount in all the accounts of the Trust Fund.

# "SEC. 2202. PAYMENTS TO MEDICAL SCHOOLS.

"(a) FEDERAL PAYMENTS TO MEDICAL SCHOOLS FOR CERTAIN COSTS.—

"(1) IN GENERAL.—In the case of a medical school that in accordance with paragraph (2) submits to the Secretary an application for fiscal year 2002 or any subsequent fiscal year, the Secretary shall make payments for such year to the medical school for the purpose specified in paragraph (3). The Secretary shall make such payments from the Medical School Account in an amount determined in accordance with subsection (b), and may administer the payments as a contract, grant, or cooperative agreement.

"(2) APPLICATION FOR PAYMENTS.—For purposes of paragraph (1), an application for payments under such paragraph for a fiscal year is in accordance with this paragraph if—

"(A) the medical school involved submits the application not later than the date specified by the Secretary; and

"(B) the application is in such form, is made in such manner, and contains such agreements, assurances, and information as the Secretary determines to be necessary to carry out this section.

"(3) PURPOSE OF PAYMENTS.—The purpose of payments under paragraph (1) is to assist medical schools in maintaining and developing quality educational programs in an increasingly competitive health care system.

"(b) AVAILABILITY OF TRUST FUND FOR PAYMENTS; ANNUAL AMOUNT OF PAYMENTS.—

"(1) AVAILABILITY OF TRUST FUND FOR PAYMENTS.—For making payments under subsection (a) from the amount allocated and transferred to the Medical School Account under sections 1886(m), 1936, 2201(c)(3), and 2201(d), and section 4503 of the Internal Revenue Code of 1986, amounts for a fiscal year shall be available as follows:

- "(A) In the case of fiscal year 2002, \$200,000,000.
- "(B) In the case of fiscal year 2003, \$300,000,000.
- "(C) In the case of fiscal year 2004, \$400,000,000.
- "(D) In the case of fiscal year 2005, \$500,000,000.
- "(E) In the case of fiscal year 2006, \$600,000,000.

"(F) In the case of each subsequent fiscal year, the amount determined under this paragraph for the previous fiscal year updated through the midpoint of such previous fiscal year by the estimated percentage

change in the general health care inflation factor (as defined in subsection (d)) during the 12-month period ending at that midpoint, with appropriate adjustments to reflect previous underestimations or overestimations under this subparagraph in the projected health care inflation factor.

“(2) AMOUNT OF PAYMENTS FOR MEDICAL SCHOOLS.—

“(A) IN GENERAL.—Subject to the annual amount available under paragraph (1) for a fiscal year, the amount of payments required under subsection (a) to be made to a medical school that submits to the Secretary an application for such year in accordance with subsection (a)(2) is an amount equal to an amount determined by the Secretary in accordance with subparagraph (B).

“(B) DEVELOPMENT OF FORMULA.—The Secretary shall develop a formula for allocation of funds to medical schools under this section consistent with the purpose described in subsection (a)(3).

“(C) MEDICAL SCHOOL DEFINED.—For purposes of this section, the term ‘medical school’ means a school of medicine (as defined in section 799 of the Public Health Service Act) or a school of osteopathic medicine (as defined in such section).

“(d) GENERAL HEALTH CARE INFLATION FACTOR.—The term ‘general health care inflation factor’ means the Consumer Price Index for Medical Services as determined by the Bureau of Labor Statistics.

#### “SEC. 2203. PAYMENTS TO TEACHING HOSPITALS.

“(a) FORMULA PAYMENTS TO ELIGIBLE ENTITIES.—

“(1) IN GENERAL.—In the case of any fiscal year beginning after September 30, 2001, the Secretary shall make payments to each eligible entity that, in accordance with paragraph (2), submits to the Secretary an application for such fiscal year. Such payments shall be made from the Trust Fund, and the total of the payments to the eligible entity for the fiscal year shall equal the sum of the amounts determined under subsections (b), (c), (d), and (e) with respect to such entity.

“(2) APPLICATION.—For purposes of paragraph (1), an application shall contain such information as may be necessary for the Secretary to make payments under such paragraph to an eligible entity during a fiscal year. An application shall be treated as submitted in accordance with this paragraph if it is submitted not later than the date specified by the Secretary, and is made in such form and manner as the Secretary may require.

“(3) PERIODIC PAYMENTS.—Payments under paragraph (1) to an eligible entity for a fiscal year shall be made periodically, at such intervals and in such amounts as the Secretary determines to be appropriate (subject to applicable Federal law regarding Federal payments).

“(4) ADMINISTRATOR OF PROGRAMS.—The Secretary shall carry out responsibility under this title by acting through the Administrator of the Health Care Financing Administration.

“(5) ELIGIBLE ENTITY.—For purposes of this title, the term ‘eligible entity’, with respect to any fiscal year, means—

“(A) for payment under subsections (b) and (c), an entity which would be eligible to receive payments for such fiscal year under—

“(i) section 1886(d)(5)(B), if such payments had not been terminated for discharges occurring after September 30, 2001;

“(ii) section 1886(h), if such payments had not been terminated for cost reporting periods beginning after September 30, 2001; or

“(iii) both sections; or

“(B) for payment under subsections (d) and (e)—

“(i) an entity which meets the requirement of subparagraph (A); or

“(ii) an entity which the Secretary determines should be considered an eligible entity.

“(b) DETERMINATION OF AMOUNT FROM MEDICARE TEACHING HOSPITAL INDIRECT ACCOUNT.—

“(1) IN GENERAL.—The amount determined for an eligible entity for a fiscal year under this subsection is the amount equal to the applicable percentage of the total amount allocated and transferred to the Medicare Teaching Hospital Indirect Account under section 1886(m)(1), and subsections (c)(3) and (d) of section 2201 for such fiscal year.

“(2) APPLICABLE PERCENTAGE.—For purposes of paragraph (1), the applicable percentage for any fiscal year is equal to the percentage of the total payments which would have been made to the eligible entity in such fiscal year under section 1886(d)(5)(B) if such payments had not been terminated for discharges occurring after September 30, 2001.

“(c) DETERMINATION OF AMOUNT FROM MEDICARE TEACHING HOSPITAL DIRECT ACCOUNT.—

“(1) IN GENERAL.—The amount determined for an eligible entity for a fiscal year under this subsection is the amount equal to the applicable percentage of the total amount allocated and transferred to the Medicare Teaching Hospital Direct Account under section 1886(m)(2), and subsections (c)(3) and (d) of section 2201 for such fiscal year.

“(2) APPLICABLE PERCENTAGE.—For purposes of paragraph (1), the applicable percentage for any fiscal year is equal to the percentage of the total payments which would have been made to the eligible entity in such fiscal year under section 1886(h) if such payments had not been terminated for cost reporting periods beginning after September 30, 2001.

“(d) DETERMINATION OF AMOUNT FROM NON-MEDICARE TEACHING HOSPITAL INDIRECT ACCOUNT.—

“(1) IN GENERAL.—The amount determined for an eligible entity for a fiscal year under this subsection is the amount equal to the applicable percentage of the total amount allocated and transferred to the Non-Medicare Teaching Hospital Indirect Account for such fiscal year under section 1936, subsections (c)(3) and (d) of section 2201, and section 4503 of the Internal Revenue Code of 1986.

“(2) APPLICABLE PERCENTAGE.—For purposes of paragraph (1), the applicable percentage for any fiscal year for an eligible entity is equal to the percentage of the total payments which, as determined by the Secretary, would have been made in such fiscal year under section 1886(d)(5)(B) if—

“(A) such payments had not been terminated for discharges occurring after September 30, 2001; and

“(B) such payments were computed in a manner that treated each patient not eligible for benefits under title XVIII as if such patient were eligible for such benefits.

“(e) DETERMINATION OF AMOUNT FROM NON-MEDICARE TEACHING HOSPITAL DIRECT ACCOUNT.—

“(1) IN GENERAL.—The amount determined for an eligible entity for a fiscal year under this subsection is the amount equal to the applicable percentage of the total amount allocated and transferred to the Non-Medicare Teaching Hospital Direct Account for such fiscal year under section 1936, subsections (c)(3) and (d) of section 2201, and section 4503 of the Internal Revenue Code of 1986.

“(2) APPLICABLE PERCENTAGE.—For purposes of paragraph (1), the applicable percentage for any fiscal year for an eligible entity is equal to the percentage of the total payments which, as determined by the Secretary, would have been made in such fiscal year under section 1886(h) if—

“(A) such payments had not been terminated for cost reporting periods beginning after September 30, 2001; and

“(B) such payments were computed in a manner that treated each patient not eligible for benefits under part A of title XVIII as if such patient were eligible for such benefits.”

#### SEC. 3. AMENDMENTS TO MEDICARE PROGRAM.

Section 1886 of the Social Security Act (42 U.S.C. 1395ww) is amended—

(1) in subsection (d)(5)(B), in the matter preceding clause (i), by striking “The Secretary shall provide” and inserting the following: “For discharges occurring before October 1, 2001, the Secretary shall provide”;

(2) in subsection (d)(11)(C), by inserting after “paragraph (5)(B)” the following: “(notwithstanding that payments under paragraph (5)(B) are terminated for discharges occurring after September 30, 2001)”;

(3) in subsection (h)—

(A) in paragraph (1), in the first sentence, by striking “the Secretary shall provide” and inserting “the Secretary shall, subject to paragraph (7), provide”; and

(B) by adding at the end the following:

“(7) LIMITATION.—

“(A) IN GENERAL.—The authority to make payments under this subsection (other than payments made under paragraphs (3)(D) and (6)) shall not apply with respect to—

“(i) cost reporting periods beginning after September 30, 2001; and

“(ii) any portion of a cost reporting period beginning on or before such date which occurs after such date.

“(B) RULE OF CONSTRUCTION.—This paragraph may not be construed as authorizing any payment under section 1861(v) with respect to graduate medical education.”; and

(4) by adding at the end the following:

“(m) TRANSFERS TO MEDICAL EDUCATION TRUST FUND.—

“(1) INDIRECT COSTS OF MEDICAL EDUCATION.—

“(A) TRANSFER.—

“(i) IN GENERAL.—From the Federal Hospital Insurance Trust Fund, the Secretary shall, for fiscal year 2002 and each subsequent fiscal year, transfer to the Medical Education Trust Fund an amount equal to the amount estimated by the Secretary under subparagraph (B).

“(ii) ALLOCATION.—Of the amount transferred under clause (i)—

“(I) there shall be allocated and transferred to the Medical School Account of such Trust Fund an amount which bears the same ratio to the total amount available under section 2202(b)(1) for the fiscal year (reduced by the balance in such account at the end of the preceding fiscal year) as the amount transferred under clause (i) bears to the total amounts transferred to such Trust Fund under title XXII (excluding amounts transferred under subsections (c)(3) and (d) of section 2201) for such fiscal year; and

“(II) the remainder shall be allocated and transferred to the Medicare Teaching Hospital Indirect Account of such Trust Fund.

“(B) DETERMINATION OF AMOUNTS.—The Secretary shall make an estimate for each fiscal year involved of the nationwide total of the amounts that would have been paid under subsection (d)(5)(B) to hospitals during the fiscal year if such payments had not been terminated for discharges occurring after September 30, 2001.

“(2) DIRECT COSTS OF MEDICAL EDUCATION.—

“(A) TRANSFER.—

“(i) IN GENERAL.—From the Federal Hospital Insurance Trust Fund and the Federal Supplementary Medical Insurance Trust Fund, the Secretary shall, for fiscal year 2002 and each subsequent fiscal year, transfer to the Medical Education Trust Fund an

amount equal to the amount estimated by the Secretary under subparagraph (B).

“(ii) ALLOCATION.—Of the amount transferred under clause (i)—

“(I) there shall be allocated and transferred to the Medical School Account of such Trust Fund an amount which bears the same ratio to the total amount available under section 2202(b)(1) for the fiscal year (reduced by the balance in such account at the end of the preceding fiscal year) as the amount transferred under clause (i) bears to the total amounts transferred to such Trust Fund under title XXII (excluding amounts transferred under subsections (c)(3) and (d) of section 2201) for such fiscal year; and

“(II) the remainder shall be allocated and transferred to the Medicare Teaching Hospital Direct Account of such Trust Fund.

“(B) DETERMINATION OF AMOUNTS.—For each hospital, the Secretary shall make an estimate for the fiscal year involved of the amount that would have been paid under subsection (h) to the hospital during the fiscal year if such payments had not been terminated for cost reporting periods beginning after September 30, 2001.

“(C) ALLOCATION BETWEEN FUNDS.—In providing for a transfer under subparagraph (A) for a fiscal year, the Secretary shall provide for an allocation of the amounts involved between part A and part B (and the trust funds established under the respective parts) as reasonably reflects the proportion of direct graduate medical education costs of hospitals associated with the provision of services under each respective part.”.

#### SEC. 4. AMENDMENTS TO MEDICAID PROGRAM.

(a) IN GENERAL.—Title XIX of the Social Security Act (42 U.S.C. 1396 et seq.) is amended by adding at the end the following:

##### “TRANSFER OF FUNDS TO ACCOUNTS

“SEC. 1936. (a) TRANSFER OF FUNDS.—

“(1) IN GENERAL.—For fiscal year 2002 and each subsequent fiscal year, the Secretary shall transfer to the Medical Education Trust Fund established under title XXII an amount equal to the amount determined under subsection (b).

“(2) ALLOCATION.—Of the amount transferred under paragraph (1)—

“(A) there shall be allocated and transferred to the Medical School Account of such Trust Fund an amount which bears the same ratio to the total amount available under section 2202(b)(1) for the fiscal year (reduced by the balance in such account at the end of the preceding fiscal year) as the amount transferred under paragraph (1) bears to the total amounts transferred to such Trust Fund (excluding amounts transferred under subsections (c)(3) and (d) of section 2201) for such fiscal year; and

“(B) the remainder shall be allocated and transferred to the Non-Medicare Teaching Hospital Indirect Account and the Non-Medicare Teaching Hospital Direct Account of such Trust Fund, in the same proportion as the amounts transferred to each account under section 1886(m) relate to the total amounts transferred under such section for such fiscal year.

“(b) AMOUNT DETERMINED.—

“(1) OUTLAYS FOR ACUTE MEDICAL SERVICES DURING PRECEDING FISCAL YEAR.—Beginning with fiscal year 2002, the Secretary shall determine 5 percent of the total amount of Federal outlays made under this title for acute medical services, as defined in paragraph (2), for the preceding fiscal year.

“(2) ACUTE MEDICAL SERVICES DEFINED.—The term ‘acute medical services’ means items and services described in section 1905(a) other than the following:

“(A) Nursing facility services (as defined in section 1905(f)).

“(B) Services provided by an intermediate care facility for the mentally retarded (as defined in section 1905(d)).

“(C) Personal care services described in section 1905(a)(24).

“(D) Private duty nursing services referred to in section 1905(a)(8).

“(E) Home or community-based services and other services furnished under a waiver granted under subsection (c), (d), or (e) of section 1915.

“(F) Home and community care furnished to functionally disabled elderly individuals under section 1929.

“(G) Community supported living arrangements services under section 1930.

“(H) Case-management services described in section 1915(g)(2).

“(I) Home health care services referred to in section 1905(a)(7), clinic services, and rehabilitation services that are furnished to an individual who has a condition or disability that qualifies the individual to receive any of the services described in a previous subparagraph.

“(J) Services furnished in an institution for mental diseases (as defined in section 1905(i)).

“(c) ENTITLEMENT.—This section constitutes budget authority in advance of appropriations Acts and represents the obligation of the Federal Government to provide for the payment to the Non-Medicare Teaching Hospital Indirect Account, the Non-Medicare Teaching Hospital Direct Account, and the Medical School Account of amounts determined in accordance with subsections (a) and (b).”.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on October 1, 2001.

#### SEC. 5. ASSESSMENTS ON INSURED AND SELF-INSURED HEALTH PLANS.

(a) GENERAL RULE.—Subtitle D of the Internal Revenue Code of 1986 (relating to miscellaneous excise taxes) is amended by adding after chapter 36 the following new chapter:

##### “CHAPTER 37—HEALTH RELATED ASSESSMENTS

“SUBCHAPTER A. Insured and self-insured health plans.

##### “Subchapter A—Insured and Self-Insured Health Plans

“Sec. 4501. Health insurance and health-related administrative services.

“Sec. 4502. Self-insured health plans.

“Sec. 4503. Transfer to accounts.

“Sec. 4504. Definitions and special rules.

##### “SEC. 4501. HEALTH INSURANCE AND HEALTH-RELATED ADMINISTRATIVE SERVICES.

“(a) IMPOSITION OF TAX.—There is hereby imposed—

“(1) on each taxable health insurance policy, a tax equal to 1.5 percent of the premiums received under such policy; and

“(2) on each amount received for health-related administrative services, a tax equal to 1.5 percent of the amount so received.

“(b) LIABILITY FOR TAX.—

“(1) HEALTH INSURANCE.—The tax imposed by subsection (a)(1) shall be paid by the issuer of the policy.

“(2) HEALTH-RELATED ADMINISTRATIVE SERVICES.—The tax imposed by subsection (a)(2) shall be paid by the person providing the health-related administrative services.

“(c) TAXABLE HEALTH INSURANCE POLICY.—For purposes of this section—

“(1) IN GENERAL.—Except as otherwise provided in this section, the term ‘taxable health insurance policy’ means any insurance policy providing accident or health insurance with respect to individuals residing in the United States.

“(2) EXEMPTION OF CERTAIN POLICIES.—The term ‘taxable health insurance policy’ does

not include any insurance policy if substantially all of the coverage provided under such policy relates to—

“(A) liabilities incurred under workers’ compensation laws,

“(B) tort liabilities,

“(C) liabilities relating to ownership or use of property,

“(D) credit insurance, or

“(E) such other similar liabilities as the Secretary may specify by regulations.

“(3) SPECIAL RULE WHERE POLICY PROVIDES OTHER COVERAGE.—In the case of any taxable health insurance policy under which amounts are payable other than for accident or health coverage, in determining the amount of the tax imposed by subsection (a)(1) on any premium paid under such policy, there shall be excluded the amount of the charge for the nonaccident or nonhealth coverage if—

“(A) the charge for such nonaccident or nonhealth coverage is either separately stated in the policy, or furnished to the policyholder in a separate statement; and

“(B) such charge is reasonable in relation to the total charges under the policy.

In any other case, the entire amount of the premium paid under such policy shall be subject to tax under subsection (a)(1).

“(4) TREATMENT OF PREPAID HEALTH COVERAGE ARRANGEMENTS.—

“(A) IN GENERAL.—In the case of any arrangement described in subparagraph (B)—

“(i) such arrangement shall be treated as a taxable health insurance policy,

“(ii) the payments or premiums referred to in subparagraph (B)(i) shall be treated as premiums received for a taxable health insurance policy; and

“(iii) the person referred to in subparagraph (B)(i) shall be treated as the issuer.

“(B) DESCRIPTION OF ARRANGEMENTS.—An arrangement is described in this subparagraph if under such arrangement—

“(i) fixed payments or premiums are received as consideration for any person’s agreement to provide or arrange for the provision of accident or health coverage to residents of the United States, regardless of how such coverage is provided or arranged to be provided; and

“(ii) substantially all of the risks of the rates of utilization of services is assumed by such person or the provider of such services.

“(d) HEALTH-RELATED ADMINISTRATIVE SERVICES.—For purposes of this section, the term ‘health-related administrative services’ means—

“(1) the processing of claims or performance of other administrative services in connection with accident or health coverage under a taxable health insurance policy if the charge for such services is not included in the premiums under such policy; and

“(2) processing claims, arranging for provision of accident or health coverage, or performing other administrative services in connection with an applicable self-insured health plan (as defined in section 4502(c)) established or maintained by a person other than the person performing the services.

For purposes of paragraph (1), rules similar to the rules of subsection (c)(3) shall apply.

##### “SEC. 4502. SELF-INSURED HEALTH PLANS.

“(a) IMPOSITION OF TAX.—In the case of any applicable self-insured health plan, there is hereby imposed a tax for each month equal to 1.5 percent of the sum of—

“(1) the accident or health coverage expenditures for such month under such plan; and

“(2) the administrative expenditures for such month under such plan to the extent such expenditures are not subject to tax under section 4501.

In determining the amount of expenditures under paragraph (2), rules similar to the rules of subsection (d)(3) apply.

**“(b) LIABILITY FOR TAX.—**

**“(1) IN GENERAL.—**The tax imposed by subsection (a) shall be paid by the plan sponsor.

**“(2) PLAN SPONSOR.—**For purposes of paragraph (1), the term ‘plan sponsor’ means—

**“(A)** the employer in the case of a plan established or maintained by a single employer,

**“(B)** the employee organization in the case of a plan established or maintained by an employee organization, or

**“(C)** in the case of—

**“(i)** a plan established or maintained by 2 or more employers or jointly by 1 or more employers and 1 or more employee organizations,

**“(ii)** a voluntary employees’ beneficiary association under section 501(c)(9), or

**“(iii)** any other association plan, the association, committee, joint board of trustees, or other similar group of representatives of the parties who establish or maintain the plan.

**“(c) APPLICABLE SELF-INSURED HEALTH PLAN.—**For purposes of this section, the term ‘applicable self-insured health plan’ means any plan for providing accident or health coverage if any portion of such coverage is provided other than through an insurance policy.

**“(d) ACCIDENT OR HEALTH COVERAGE EXPENDITURES.—**For purposes of this section—

**“(1) IN GENERAL.—**The accident or health coverage expenditures of any applicable self-insured health plan for any month are the aggregate expenditures paid in such month for accident or health coverage provided under such plan to the extent such expenditures are not subject to tax under section 4501.

**“(2) TREATMENT OF REIMBURSEMENTS.—**In determining accident or health coverage expenditures during any month of any applicable self-insured health plan, reimbursements (by insurance or otherwise) received during such month shall be taken into account as a reduction in accident or health coverage expenditures.

**“(3) CERTAIN EXPENDITURES DISREGARDED.—**Paragraph (1) shall not apply to any expenditure for the acquisition or improvement of land or for the acquisition or improvement of any property to be used in connection with the provision of accident or health coverage which is subject to the allowance under section 167, except that, for purposes of paragraph (1), allowances under section 167 shall be considered as expenditures.

**“SEC. 4503. TRANSFER TO ACCOUNTS.**

“For fiscal year 2002 and each subsequent fiscal year, there are hereby appropriated and transferred to the Medical Education Trust Fund under title XXII of the Social Security Act amounts equivalent to taxes received in the Treasury under sections 4501 and 4502, of which—

**“(1)** there shall be allocated and transferred to the Medical School Account of such Trust Fund an amount which bears the same ratio to the total amount available under section 2202(b)(1) of such Act for the fiscal year (reduced by the balance in such account at the end of the preceding fiscal year) as the amount transferred to such Trust Fund under this section bears to the total amounts transferred to such Trust Fund (excluding amounts transferred under subsections (c)(3) and (d) of section 2201 of such Act) for such fiscal year; and

**“(2)** the remainder shall be allocated and transferred to the Non-Medicare Teaching Hospital Indirect Account and the Non-Medicare Teaching Hospital Direct Account of such Trust Fund, in the same proportion as

the amounts transferred to such account under section 1886(m) of such Act relate to the total amounts transferred under such section for such fiscal year.

Such amounts shall be transferred in the same manner as under section 9601.

**“SEC. 4504. DEFINITIONS AND SPECIAL RULES.**

**“(a) DEFINITIONS.—**For purposes of this subchapter—

**“(1) ACCIDENT OR HEALTH COVERAGE.—**The term ‘accident or health coverage’ means any coverage which, if provided by an insurance policy, would cause such policy to be a taxable health insurance policy (as defined in section 4501(c)).

**“(2) INSURANCE POLICY.—**The term ‘insurance policy’ means any policy or other instrument whereby a contract of insurance is issued, renewed, or extended.

**“(3) PREMIUM.—**The term ‘premium’ means the gross amount of premiums and other consideration (including advance premiums, deposits, fees, and assessments) arising from policies issued by a person acting as the primary insurer, adjusted for any return or additional premiums paid as a result of endorsements, cancellations, audits, or retrospective rating. Amounts returned where the amount is not fixed in the contract but depends on the experience of the insurer or the discretion of management shall not be included in return premiums.

**“(4) UNITED STATES.—**The term ‘United States’ includes any possession of the United States.

**“(b) TREATMENT OF GOVERNMENTAL ENTITIES.—**

**“(1) IN GENERAL.—**For purposes of this subchapter—

**“(A)** the term ‘person’ includes any governmental entity, and

**“(B)** notwithstanding any other law or rule of law, governmental entities shall not be exempt from the taxes imposed by this subchapter except as provided in paragraph (2).

**“(2) EXEMPT GOVERNMENTAL PROGRAMS.—**

**“(A) IN GENERAL.—**In the case of an exempt governmental program—

**“(i)** no tax shall be imposed under section 4501 on any premium received pursuant to such program or on any amount received for health-related administrative services pursuant to such program, and

**“(ii)** no tax shall be imposed under section 4502 on any expenditures pursuant to such program.

**“(B) EXEMPT GOVERNMENTAL PROGRAM.—**For purposes of this paragraph, the term ‘exempt governmental program’ means—

**“(i)** the insurance programs established by parts A and B of title XVIII of the Social Security Act,

**“(ii)** the medical assistance program established by title XIX of the Social Security Act,

**“(iii)** any program established by Federal law for providing medical care (other than through insurance policies) to individuals (or the spouses and dependents thereof) by reason of such individuals being—

**“(I)** members of the Armed Forces of the United States, or

**“(II)** veterans, and

**“(iv)** any program established by Federal law for providing medical care (other than through insurance policies) to members of Indian tribes (as defined in section 4(d) of the Indian Health Care Improvement Act).

**“(c) NO COVER OVER TO POSSESSIONS.—**Notwithstanding any other provision of law, no amount collected under this subchapter shall be covered over to any possession of the United States.”.

**(b) CLERICAL AMENDMENT.—**The table of chapters for subtitle D of the Internal Revenue Code of 1986 is amended by inserting

after the item relating to chapter 36 the following new item:

“CHAPTER 37. Health related assessments.”

**(c) EFFECTIVE DATE.—**The amendments made by this section shall apply with respect to premiums received, and expenses incurred, with respect to coverage for periods after September 30, 2001.

**SEC. 6. MEDICAL EDUCATION ADVISORY COMMISSION.**

**(a) ESTABLISHMENT.—**There is hereby established an advisory commission to be known as the Medical Education Advisory Commission (in this section referred to as the “Advisory Commission”).

**(b) DUTIES.—**

**(1) IN GENERAL.—**The Advisory Commission shall—

**(A)** conduct a thorough study of all matters relating to—

**(i)** the operation of the Medical Education Trust Fund established under section 2201 of the Social Security Act (as added by section 2);

**(ii)** alternative and additional sources of graduate medical education funding;

**(iii)** alternative methodologies for compensating teaching hospitals for graduate medical education;

**(iv)** policies designed to maintain superior research and educational capacities in an increasing competitive health system;

**(v)** the role of medical schools in graduate medical education;

**(vi)** policies designed to expand eligibility for graduate medical education payments to children’s hospitals that operate graduate medical education programs; and

**(vii)** policies designed to expand eligibility for graduate medical education payments to institutions other than teaching hospitals;

**(B)** develop recommendations, including the use of demonstration projects, on the matters studied under subparagraph (A) in consultation with the Secretary of Health and Human Services and the entities described in paragraph (2);

**(C)** not later than January 2003, submit an interim report to the Committee on Finance of the Senate, the Committee on Ways and Means of the House of Representatives, and the Secretary of Health and Human Services; and

**(D)** not later than January 2005, submit a final report to the Committee on Finance of the Senate, the Committee on Ways and Means of the House of Representatives, and the Secretary of Health and Human Services.

**(2) ENTITIES DESCRIBED.—**The entities described in this paragraph are—

**(A)** other advisory groups, including the Council on Graduate Medical Education and the Medicare Payment Advisory Commission;

**(B)** interested parties, including the Association of American Medical Colleges, the Association of Academic Health Centers, and the American Medical Association;

**(C)** health care insurers, including managed care entities; and

**(D)** other entities as determined by the Secretary of Health and Human Services.

**(c) NUMBER AND APPOINTMENT.—**The membership of the Advisory Commission shall include 9 individuals who are appointed to the Advisory Commission from among individuals who are not officers or employees of the United States. Such individuals shall be appointed by the Secretary of Health and Human Services, and shall include individuals from each of the following categories:

**(1)** Physicians who are faculty members of medical schools.

**(2)** Officers or employees of teaching hospitals.

**(3)** Officers or employees of health plans.

**(4)** Deans of medical schools.

(5) Such other individuals as the Secretary determines to be appropriate.

(d) TERMS.—

(1) IN GENERAL.—Except as provided in paragraph (2), members of the Advisory Commission shall serve for the lesser of the life of the Advisory Commission, or 4 years.

(2) SERVICE BEYOND TERM.—A member of the Advisory Commission may continue to serve after the expiration of the term of the member until a successor is appointed.

(e) VACANCIES.—If a member of the Advisory Commission does not serve the full term applicable under subsection (d), the individual appointed to fill the resulting vacancy shall be appointed for the remainder of the term of the predecessor of the individual.

(f) CHAIR.—The Secretary of Health and Human Services shall designate an individual to serve as the Chair of the Advisory Commission.

(g) MEETINGS.—The Advisory Commission shall meet not less than once during each 4-month period and shall otherwise meet at the call of the Secretary of Health and Human Services or the Chair.

(h) COMPENSATION AND REIMBURSEMENT OF EXPENSES.—Members of the Advisory Commission shall receive compensation for each day (including travel time) engaged in carrying out the duties of the Advisory Commission. Such compensation may not be in an amount in excess of the maximum rate of basic pay payable for level IV of the Executive Schedule under section 5315 of title 5, United States Code.

(i) STAFF.—

(1) STAFF DIRECTOR.—The Advisory Commission shall, without regard to the provisions of title 5, United States Code, relating to competitive service, appoint a Staff Director who shall be paid at a rate equivalent to a rate established for the Senior Executive Service under 5382 of title 5, United States Code.

(2) ADDITIONAL STAFF.—The Secretary of Health and Human Services shall provide to the Advisory Commission such additional staff, information, and other assistance as may be necessary to carry out the duties of the Advisory Commission.

(j) TERMINATION OF THE ADVISORY COMMISSION.—The Advisory Commission shall terminate 90 days after the date on which the Advisory Commission submits its final report under subsection (b)(1)(D).

(k) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated such sums as may be necessary to carry out the purposes of this section.

## SEC. 7. DEMONSTRATION PROJECTS.

(a) ESTABLISHMENT.—The Secretary of Health and Human Services (in this section referred to as the "Secretary") shall establish, by regulation, guidelines for the establishment and operation of demonstration projects which the Medical Education Advisory Commission recommends under section 6(b)(1)(B).

(b) FUNDING.—

(1) IN GENERAL.—For any fiscal year after 2001, amounts in the Medical Education Trust Fund under title XXII of the Social Security Act shall be available for use by the Secretary in the establishment and operation of demonstration projects described in subsection (a).

(2) FUNDS AVAILABLE.—

(A) LIMITATION.—Not more than  $\frac{1}{10}$  of 1 percent of the funds in such Trust Fund shall be available for the purposes of paragraph (1).

(B) ALLOCATION.—Amounts under paragraph (1) shall be paid from the accounts established under paragraphs (2) through (5) of section 2201(a) of the Social Security Act, in the same proportion as the amounts trans-

ferred to such accounts bears to the total of amounts transferred to all 4 such accounts for such fiscal year.

(c) LIMITATION.—Nothing in this section shall be construed to authorize any change in the payment methodology for teaching hospitals and medical schools established by the amendments made by this Act.

Mrs. CLINTON. Mr. President, I rise today to ask my colleagues to join me in ensuring that we maintain a steady stream of funding for the crown jewels of our health care system, our Nation's teaching hospitals. I deeply appreciate Senator REED's leadership on this issue and I am proud to join him and other colleagues as an original cosponsor of this important legislation.

Teaching hospitals play a vital role in our Nation's health care system, both in treatment and research, helping to make our system one of the finest in the world. New York City, for example, leads the world in the number and quality of academic health centers, teaching hospitals, and related medical institutions.

I have long supported academic health center and teaching hospitals, because their work is so essential to our communities. We rely on them to train physicians and nurses, care for the sickest of the sick and the poorest of the poor, and engage in research and clinical trials. Thanks to the research, for example, at Memorial Sloan-Kettering, cancer patients will suffer less while receiving chemotherapy because of a drug that was developed there. And a drug that allows balloon angioplasty to save lives was developed at SUNY Stony Brook.

As my predecessor and friend, Senator Daniel Patrick Moynihan, who I am so honored to be following in the footsteps of, put it so well a few years ago, "We are in the midst of a great era of discovery in the medical science. It is certainly not a time to close medical schools. This great era of medical discovery is occurring right here in the United States, not in Europe like past ages in scientific discovery. And it is centered in New York City."

But our Nation's teaching hospitals are at risk. Cuts to Medicare have lowered reimbursements for teaching hospitals and another reduction, which I will work with my colleagues to prevent, is scheduled to take place next year. Teaching hospitals have higher costs not only because of the training functions they perform, but also because they treat patients who require some of the most costly procedures and require longer hospital stays. In addition, the use of advanced technology and presence of experts in various fields also add to teaching hospitals' expenses.

All of us, who rely on the expertise of our doctors, and have access to new technologies, as well as the state-of-the-art services academic medical centers and teaching hospitals offer, benefit from the creation of a trust fund to ensure a steady stream of funds dedicated for these purposes. Some states, including mine, have sought to address

these funding needs themselves. However, as Senator Moynihan also pointed out, New York State's GME fund was created as a temporary solution until a Federal fund could be created.

I urge my colleagues in joining me with their support for this critical investment in our teaching hospitals so that they can continue to lead the world in training highly-qualified medical professionals, and generating the state-of-the-art research and treatment that enables our Nation's health care system to flourish.

By Mrs. HUTCHISON (for herself, Mr. LIEBERMAN, and Mr. FEINGOLD):

S. 744. A bill to amend section 527 of the Internal Revenue Code of 1986 to eliminate notification and return requirements for State and local candidate committees and avoid duplicate reporting by certain State and local political committees of information required to be reported and made publicly available under State law; to the Committee on Finance.

Mrs. HUTCHISON. Mr. President, I am pleased to introduce today a bill with Senators LIEBERMAN and FEINGOLD that would address a concern that has been raised by state legislators in Texas and across the country.

Last year Congress enacted the Full and Fair Political Activities Disclosure Act of 2000, Public Law 106-230, a law that imposed new IRS reporting requirements on political organizations claiming tax-exempt status under section 527 of the Internal Revenue Code. The purpose of this law was to uncover so-called "stealth PACs," tax-exempt groups which, prior to the enactment of this law, did not have to disclose any contributions or expenditures and were free to influence elections in virtual anonymity.

While Public Law 106-230 was intended to target "stealth PACs," it has had the unintended consequence of imposing burdensome and duplicative reporting requirements on state and local candidates who are not involved in any Federal election activities. In many states like Texas, State and local candidates already file detailed reports with their state election officials.

To correct this problem, I am introducing legislation that would exempt state and local candidates from the IRS reporting requirements of Public Law 106-230. This bill is the product of an agreement that was worked out among Senator LIEBERMAN, Senator FEINGOLD, Senator DODD, Senator MCCAIN, Senator MCCONNELL, and myself.

I originally intended to offer this legislation as an amendment to S. 27, the McCain-Feingold campaign finance bill. Unfortunately, since this particular legislation impacts the Internal Revenue Code, I was unable to offer it at that time without the possibility of invoking a blue slip from the Ways and Means Committee.

Last week, I spoke with the chairman of the Ways and Means Committee



about this issue, and he assured me that he would seek to address this issue in his committee. In this vein, I would like to ask the Senator from Iowa, the chairman of the Finance Committee, if he also will work with me to address this problem in the context of the tax bill this year.

Mr. GRASSLEY. Yes, I would be pleased to work with the Senator from Texas on this matter, and pledge my good faith to give serious consideration to including language that meets her concerns in an appropriate tax bill in the near future.

Mrs. HUTCHISON. I'd like to thank the distinguished chairman of the Finance Committee, and I look forward to working with him.

Mr. LIEBERMAN. Mr. President, I am pleased to cosponsor this bill, and I thank my colleague, the Senator from Texas, for working with me to draft this bill in a manner that achieves its purpose, but does not open any loopholes in the original section 527 reform law.

Last year, Congress passed the first significant campaign finance reform measure in a quarter of a century. The so-called section 527 reform bill dealt with a truly troubling development, one whereby organizations that received tax-exempt status by telling the IRS that they existed to influence elections denied the very same thing to the FEC. As a result, these self-proclaimed election organizations engaged in election activity without complying with any aspect of the election laws, influencing our elections without the American public having any idea who, or what, was behind them.

Our law put a stop to that, by requiring organizations claiming tax-exempt status under section 527 of the Internal Revenue Code to do three things: 1. give notice of their intent to claim that status; 2. disclose information about their large contributors and their big expenditures; and 3. file annual informational returns along the lines of those filed by virtually all other tax-exempt organizations.

During the nine months or so that the 527 reform law has been in effect, that law has blasted sunshine onto the previously shadowy operations of a multitude of election-related organizations. Through the filings mandated by that law, the American public has learned a great deal about who is financing many of these organizations and how these organizations are spending their money.

But the law has had another impact, and that is to impose new reporting requirements on a group of organizations that already fully disclose to the public all of the activities covered by the 527 reform law. This bill gives relief to those organizations. In particular it grants relief from the 527 reform law to two categories of organizations that are involved exclusively in State and local elections and that already fully disclose their activities. I thank my colleague from Texas for working with

me to ensure that we accomplish that goal without opening up any loopholes in the 527 reform law that will allow undisclosed money to reenter our election system.

First, the bill provides new exemptions for State and local candidate committees. Under the reform law, committees of candidates for State or local office have to notify the IRS of their intent to claim section 527 status, and they have to file annual informational returns if they have over \$25,000 in gross receipts. Since the reform law went into effect, we have become convinced that the burden these requirements impose on State and local candidate committees outweigh the public purpose served by requiring them to comply with these mandates.

In contrast to other types of political committees, State and local candidate committees often are not permanent organizations. They often crop up a few months before an election and then cease to exist shortly after the election. They are often staffed by volunteers and run on a shoe string budget. Any new paperwork requirement—regardless of how reasonable it may be in other contexts—can put a significant burden on these minimally staffed and often short-lived committees.

At the same time, State and local candidate committees do not pose the threats the 527 law intended to address. In contrast to other political committees, there is never any doubt as to who is running the candidate committee and as to whose agenda the candidate committee aims to promote. Just as importantly, State laws regulate and require disclosure from all candidate committees.

We therefore have concluded that even though we do not believe the 527 reform law's mandates to be particularly burdensome in general, State and local candidate committees present a special case, one that warrants exempting them from the reform law's requirements to file a notice of intent to claim section 527 status and to file an annual return even if the organization does not have taxable income. I note, though, that these organizations still will have to file and make public annual returns if they have taxable income.

The second group to which we are granting a lesser degree of relief is a very carefully defined group of so-called State and local PACs. In granting this relief, we have walked a very fine line. On one hand, we want to recognize the fact that every State requires disclosure from political committees involved in that State's elections and that many State and local PACs covered by the 527 reform law therefore are already disclosing the information the 527 law seeks to State agencies. On the other hand, we still believe that there is a strong public interest in knowing how the federal tax-exemption under section 527 is being used by these organizations, and we most decidedly do not want to exempt

from the law's disclosure requirements any State or local PAC that does not otherwise publicly disclose all of its activities.

To exempt a State or local PAC merely because it claims that it is involved only in State elections and files information about some of its activities with a State agency would risk creating a massive loophole that could undermine the 527 reform law. That is because just as prior to the passage of the 527 reform law, some 527 groups were claiming that they were trying to influence elections for the purposes of the tax code, but not for the purposes of the election laws, a broad exemption for State or local PACs could lead some groups to claim that they are influencing State elections for the purposes of section 527 but not for the purposes of the State disclosure laws.

So, we have reached the following compromise. First, we are not exempting any of these organizations from the section 527(i) notice requirements. Unlike candidate committees, PACs generally are not transient, volunteer-staffed organizations, and it is not always clear to the public who is behind these groups. Moreover, because we are not completely exempting these groups from the law's other disclosure requirements, the notice requirement will be critical in helping the IRS and outside groups monitor compliance with the law's other mandates. In light of that, we believe the minimal effort required to file the 527(i) notice is worth the tremendous value of giving the public some basic information about these groups.

Second, we are granting an exemption from the section 527(j) contribution and expenditure reporting requirements to some of these organizations, but only if they can meet certain strict requirements. The group's so-called exempt function activity must focus exclusively on State or local elections. The group must file with a State agency information on every contribution and expenditure it would otherwise be required to disclose to the IRS. In addition, these State filings must be pursuant to a State law that requires these groups to file the State reports; this requirement seeks to prevent organizations from hiding truly federal activity by voluntarily reporting to a State where reports may not be as readily accessible as are federal reports. Moreover, no group will be able to take advantage of this exemption if the State reports its files are not publicly available both from the State agency with which the report is filed and from the group itself. Finally, this exemption also is not available to any organization in which a candidate for federal office or someone who holds elected federal office plays a role—whether through helping to run the organization, soliciting money for the organization or deciding how the organization spends its money. In short, this bill exempts from 527(j) reporting obligations only those groups that truly and legitimately engage in exclusively State and

local activity and only when they already report publicly on all of the information the 527 law seeks.

Finally, the bill makes a small change to these State and local groups' obligation to file an annual information return when they do not have taxable income. Under the current law, they must file such returns when they have \$25,000 in annual receipts; the bill increases that trigger to \$100,000. Like all other 527 organizations, though, they still will have to file such returns if they have taxable income.

Again, let me thank Senator HUTCHISON for her efforts on this bill. I believe we have worked out a good compromise, one that grants relief where it is warranted, but does not in any way threaten to open up a loophole in the law. I thank her for that, and I yield the floor.

Mr. FEINGOLD. Mr. President, I am pleased to join Senators HUTCHINSON and LIEBERMAN in cosponsoring this bill.

Our enactment of the 527 disclosure legislation last year was an important step toward breaking the logjam on campaign finance reform. It showed that we could come together to pass commonsense reforms that give the public more information about and more confidence in the political process. Since that law went into effect, we have heard legitimate complaints from state and local candidates and PACs, which are in fact exempt from taxation under section 527 of the Internal Revenue Code, about the burden of complying with the notification and reporting requirements of the law.

Senator HUTCHINSON brought this issue to the fore by offering an amendment to the campaign finance bill that we passed on Monday. I very much appreciate her willingness to withdraw that amendment so we could work out the details together and avoid creating a blue-slip problem with the House that might delay the overall campaign finance bill.

The challenge was to address the legitimate concerns raised by state candidates and PACs without opening new loopholes in the law so soon after its enactment. Particularly as we stand poised to enact even more far reaching reforms in the McCain-Feingold bill, it is extremely important that we not weaken existing law in a way that might be exploited by groups wanting to avoid the sunshine that the 527 disclosure law provided. I believe that the Senator from Texas and the Senator from Connecticut have successfully negotiated this difficult terrain. I am proud to support this bill, and I hope it will be quickly enacted.

By Mr. LEAHY (for himself, Mr. JEFFORDS, Mr. FEINGOLD, Mr. BINGAMAN, and Mr. DODD):

S. 745. A bill to amend the Child Nutrition Act of 1966 to promote better nutrition among school children participating in the school breakfast and lunch programs; to the Committee on Agriculture, Nutrition, and Forestry.

Mr. LEAHY. Mr. President, I am today introducing a simple, yet forceful, bill designed to address a growing problem among school children. I am tired of major soft drink companies trying to take school lunch money away from children.

It is one thing for the school bully to take lunch money from school kids, it is another for Coca-Cola or Pepsi to take it. In some areas, school scoreboards and school uniforms are now plastered with soda ads under exclusive contracts with vending machines all over the place.

According to a report issued by the Center for Science in the Public Interest, 20 years ago boys consumed more than twice as much milk as soda, and girls 50 percent more; now boys and girls consume twice as much soft drink as they do milk.

I had a huge battle with Coca-Cola in 1994 when they tried to derail my child nutrition bill—"The Better Nutrition and Health for Children Act" because I wanted schools to know they had the right to ban soda vending machines if they chose.

That 1994 controversy began when Coca-Cola sent out letters to school authorities around the country misrepresenting my bill. They were resorting to scare tactics instead of honest debate. The letter sent by Coca-Cola made numerous false allegations including that soft drinks are USDA-approved. That was not, and is still not true.

The controversy now is over exclusive contracts with soda manufacturers so they get to blanket schools with soda vending machines and signs advertising their products. Also, in some schools sodas are actually being given away to children during lunch.

For schools participating in the national school lunch program I want the vending machines turned off during lunch on all school grounds—it is that simple. During lunch, I do not want sodas sold to school children by the school. And the Secretary of Agriculture should carefully consider, based on sound nutritional science, whether to turn off the soda vending machines and stop soft drink sales before lunch.

You don't have to be a scientist to know that eating habits learned in childhood translate into a longer and healthier life. Leaving the vending machines on during lunch sets a bad example, and tempts children to spend their lunch money.

Soft drinks are a \$60 billion a year industry. The fancy commercials and big-time advertising rake in huge profits for the soda manufacturers.

Children don't vote, children don't hand out large sums of PAC money, children don't hire expensive lobbyists. But I have always put the welfare of children ahead of corporate profits, and I always will.

Coca-Cola recently announced that they will encourage other soda manufacturers to stop the practice of negotiating exclusive soda contracts with

schools. That does not solve the program. The issue is not which company is selling the sodas, but whether the sodas should be sold at all, before and during lunch. Doing away with exclusive contracts could just mean more soda vending machines in schools.

This is not the way for schools to raise money.

My bill would ban the sale of soda and "pure-sugar" candies such as cotton candy, gum balls, licorice, and the like, to school children in school during the lunch period and during breakfast. It would also prohibit the practice in some schools of giving away soda during lunch.

For the period after breakfast and before lunch, the bill would mandate that the Secretary of Agriculture take into account the nutritional health of children and design a rule based on "sound nutritional science" that could ban the sale (or donation) of sodas and similar high-sugar foods, throughout school property or on some portions of school property. The bill would permit the Secretary to leave the current approach intact—which would allow such sales if the school wanted.

In this nutritional health analysis, the Secretary would have to consider what foods, such as milk or juices, are most likely to be displaced by the consumption of sodas before and during lunch. The Secretary would also have to weigh the low nutritional value of sodas as compared to soda substitutes such as juice or milk.

A recent study published in *The Lancet* concluded that for each glass of sugar-sweetened drink consumed by a child, their risk of becoming obese increased 1.6 times. It was also recently reported that soda consumption negatively impacts the ability of a child to meet their daily requirements for calcium, vitamin A, and magnesium. Variations in the amount of calcium consumed during childhood can result in decreased bone mass which may lead to a 50 percent greater risk of hip fracture in later years.

I recently heard from one of my constituents on this issue while Jenny Dorman is only in 6th grade, she has a great deal of wisdom for her age. Her letter gets right to the point on this important issue of how soda consumption impacts health. I ask unanimous consent that her letter be included in the RECORD.

The PRESIDING OFFICER. Without objection, it is so ordered.

DEAR SENATOR LEAHY, I was getting ready for school when my mom told me to look at your article. I want to tell you that I'm with you 100 percent. I used to be a soda addict, and would drink nothing else. Last year in health class the teacher taught us what soda does to your bones. There is 2 percent of calcium in your bones, 1 percent in your teeth, the other 1 percent is in your blood. Soda robs your bones of calcium. If there isn't enough calcium in your blood, your body goes to your bones, where

lots of calcium is found. If the soda and your body keeps taking calcium, your bones will get really brittle and easy to break. When you're old you can be very liable to have osteoporosis. Once I learned that, I stopped drinking soda altogether. Now I only drink water, milk, and once in a while juice. I'm in 6th grade now and I haven't had soda for over a year! I haven't had it in so long that even if I get a tiny bit of soda I get a sick feeling inside. Now I'm desperately trying to get the rest of my family off it by switching Sprite with water. Ha Ha!

JENNY DORMAN,  
*Stockbridge School.*

By Mr. AKAKA (for himself and Mr. INOUE):

S. 746. A bill to express the policy of the United States regarding the United States relationship with Native Hawaiians and to provide a process for the recognition by the United States of the Native Hawaiian governing entity, and for other purposes; to the Committee on Indian Affairs.

Mr. AKAKA. Mr. President, I rise today to introduce a bill with my friend and colleague, the senior Senator from Hawaii, Mr. INOUE which would clarify the political relationship between Native Hawaiians and the United States. This measure would extend the federal policy of self-determination and self-governance to Hawaii's indigenous, native peoples, Native Hawaiians, thereby establishing parity in federal policies towards Native Hawaiians, Alaska Natives and American Indians.

The bill we introduce today is a modified version of legislation we introduced on January 22, 2001. This modified version improves upon our efforts to clarify the political relationship between Native Hawaiians and the United States. Federal policy towards Native Hawaiians has closely paralleled that of our indigenous brothers and sisters, the Alaska Natives and American Indians. This bill provides a process for federal recognition of the Native Hawaiian governing entity for a government-to-government relationship with the United States.

This bill does three things. First it provides a process for federal recognition of the Native Hawaiian governing entity. Second, it establishes an office within the Department of the Interior to focus on Native Hawaiian issues and to serve as a liaison between Native Hawaiians and the Federal government. Finally, it establishes an inter-agency coordinating group to be composed of representatives of federal agencies which administer programs and implement policies impacting Native Hawaiians.

This measure does not establish entitlements or special treatment for Native Hawaiians based on race. This measure focuses on the political relationship afforded to Native Hawaiians based on the United States' recognition of Native Hawaiians as the aboriginal,

indigenous peoples of Hawaii. As we all know, the United States' history with its indigenous peoples has been dismal. In recent decades, however, the United States has engaged in a policy of self-determination and self-governance with its indigenous peoples. Government-to-government relationships provide indigenous peoples with the opportunity to work directly with the federal government on policies affecting their lands, natural resources and many other aspects of their well-being. While federal policies towards Native Hawaiians have paralleled that of Native American Indians and Alaska Natives, the federal policy of self-determination and self-governance, has not yet been extended to Native Hawaiians. This measure extends this policy to Native Hawaiians, thus furthering the process of reconciliation between Native Hawaiians and the United States.

This measure does not impact program funding for American Indians and Alaska Natives. Federal programs for Native Hawaiian health, education and housing are already administered by the Departments of Health and Human Services, Education, and Housing the Urban Development. The bill I introduce today contains a provision which makes clear that this bill does not authorize eligibility for participation in any programs and services provided by the Bureau of Indian Affairs.

This bill does not authorize gaming in Hawaii. In fact, it clearly states that the Indian Gaming Regulatory Act, IGRA, does not apply to the Native Hawaiian governing entity. Hawaii is one of two states in the Union which criminally prohibits all forms of gaming. Therefore, I want to make clear that this bill would not authorize the Native Hawaiian governing entity to conduct any type of gaming in Hawaii.

Finally, this measure does not preclude Native Hawaiians from seeking alternatives in the international arena. This measure focuses on self-determination within the framework of federal law and seeks to establish equality in the federal policies extended towards American Indians, Alaska Natives and Native Hawaiians.

We introduced similar legislation during the 106th Congress. While the bill was passed by the House of Representatives, the Senate failed to consider it prior to the adjournment of the 106th Congress. The legislation was widely supported by our indigenous brethren, American Indians and Alaska Natives. It was also supported by the Hawaii State Legislature which passed a resolution supporting a government-to-government relationship between Native Hawaiians and the United States. Similar resolutions were passed by the Japanese American Citizens' League and the National Education Association.

Mr. President, when most people think of Hawaii, they think of paradise. I agree, it is paradise. However, the essence of Hawaii is captured not by the physical beauty of its islands,

but by the beauty of its people. Those who have lived in Hawaii have a unique demeanor and attitude which is appropriately described as the "Aloha" spirit. The people of Hawaii demonstrate the Aloha spirit through their actions—through their generosity, through their appreciation of the environment and natural resources, through their willingness to care for each other, through their genuine friendliness.

The people of Hawaii share many ethnic backgrounds and cultures. This mix of culture and tradition is based on the unique history of Hawaii. The Aloha spirit is generated from the pride we all share in the culture and tradition of Hawaii's indigenous, native peoples, the Native Hawaiians. Hawaii's state motto, "Ua mau ke'ea 'o ka 'aina i ka pono," which means "the life of the land is perpetuated in righteousness," captures the culture of Native Hawaiians. Prior to western contact, Native Hawaiians lived in an advanced society, in distinct and structured communities steeped in science. The Native Hawaiians honored their *aina*, land, and environment, and therefore developed methods of irrigation, agriculture, aquaculture, navigation, medicine, fishing and other forms of subsistence whereby the land and sea were efficiently used without waste or damage. Respect for the environment formed the basis of their culture and tradition. It is from this culture and tradition that the Aloha spirit, which is demonstrated throughout Hawaii, by all of its people, has endured and flourished.

In 1978, the people of Hawaii acted to preserve Native Hawaiian culture and tradition by amending Hawaii's state constitution to establish the Office of Hawaiian Affairs to give expression to the right of self-determination and self-governance at the state level for Hawaii's indigenous peoples, Native Hawaiians. Starting with statehood, Hawaii endeavored to address and protect the rights and concerns of Hawaii's indigenous peoples in accordance with authority delegated under federal policy. The constraints of this approach are evident. This bill extends the federal policy of self-determination and self-governance to Native Hawaiians at the federal level through a government-to-government relationship with the Native Hawaiian governing entity.

This measure is not being introduced to circumvent the 1999 United States Supreme Court decision in the case of *Rice v. Cayetano*. The *Rice* case was a voting rights case whereby the Supreme Court held that the State of Hawaii must allow all citizens of Hawaii to vote for the Board of Trustees of a quasi-state agency, the Office of Hawaiian Affairs.

The Office of Hawaiian Affairs was established by citizens of the State of Hawaii as part of the 1978 State of Hawaii Constitutional Convention. The Office of Hawaiian Affairs administers

programs and services for Native Hawaiians. The State constitution provided for nine trustees who were Native Hawaiian to be elected by Native Hawaiians. Following the Supreme Court's ruling in *Rice v. Cayetano*, the elections were not only open to all citizens in the State of Hawaii, but non-Hawaiians were deemed eligible to serve on the Board of Trustees. Whereas the *Rice* case dealt with voting rights and the State of Hawaii, the measure we introduce today addresses the federal policy of self-determination and self-governance and does not involve the Office of Hawaiian Affairs.

This measure is critical to the people of Hawaii as it begins a process to address many longstanding issues facing Hawaii's indigenous peoples and the State of Hawaii. By addressing and resolving these matters, we begin a process of healing, a process of reconciliation not only within the United States, but within the State of Hawaii. The time has come for us to be able to address these deeply rooted issues in order for us to be able to move forward as one.

I cannot emphasize how important this measure is for the people of Hawaii. While Hawaii will always be known for its physical beauty, its true essence is in its people. The time has come to provide Hawaii's indigenous peoples with the opportunity to engage in a government-to-government relationship with the United States. I look forward to working with my colleagues to enact this critical measure.

By Mrs. BOXER:

S. 747. A bill to authorize the Attorney General to make grants to local educational agencies to carry out school violence prevention and school safety activities in secondary schools; to the Committee on the Judiciary.

Mrs. BOXER. Mr. President, we have seen three shootings and watched three young children lose their lives in the past four weeks. Two of these were in my state of California; the latest shooting was in my colleagues' state of Indiana. These shootings have been terrifying for all of us, children, parents, community members, and the nation as a whole. We must stop these acts of violence, now. We cannot wait for another young life to slip through our hands.

These incidents have reminded us that no place is safe from gun violence. Principals think about the safety of their schools every day; parents worry about the safety of their children's classrooms every day; and children walk to school unsure of their own safety every day. This is sad, but this is the reality.

Today I am proposing to change this reality. My bill reaffirms our commitment to school safety by creating a permanent School Safety Fund. This Fund will allow the Attorney General to provide grants to school districts so that they can create their own comprehensive school safety strategies, in-

corporating both violence prevention and school safety activities.

What might be included in these safety strategies?

Schools could establish hotlines and tiplines, so that students could anonymously report potentially dangerous situations. They could hire more community police officers and purchase security equipment. I would argue that all schools could use more counselors, psychologists, and school social workers, these funds will help hire them. Schools could use the funds to train teachers and administrators to identify the early warning signs of troubled youth. They could also use the funds to teach our students conflict resolution programs, and to set up a mentoring program for students.

The bottom line is clear: each school needs to decide the extent of its problem, and decide what solution would be best for its community. My bill gives school districts the leeway they need to deal with school safety, providing federal funds to attack school violence where it happens: in the schools.

This approach, in and of itself, is not a novel idea. Since 1999, the federal government has funded a program called "Safe Schools Initiative." A collaboration between the Department of Justice, the Department of Education, and the Department of Health and Human Services, Safe Schools provides grants to school districts to do the activities I outlined above. In fact, 77 school districts have already been awarded funds. Why, then, is my bill necessary?

My bill does two important things. One, it writes this program into law. Currently, the Appropriations Committee decides year-to-year whether to fund this initiative. This program is important—important enough to warrant an authorization. My amendment codifies these grants through fiscal year 2006.

Second, and perhaps most important, my bill speaks to how these grants are funded. All funding would come directly from the Violent Crime Reduction Trust Fund. And rather than set a specific authorization level—rather than pull a number out of thin air and declare that number the "need", my bill would give discretion to the Attorney General to decide how many grants should be awarded, and how much money each grantee should receive.

For example, if a crisis arises, the Attorney General has the flexibility to distribute grants as he sees fit. He does not have to wait for Congress to act, or watch as Congress fails to act. He can identify the need, and address it immediately. On the flip side, if school safety problems improve, as all of us hope, then the Attorney General can spend less on school safety. Again, it is up to his discretion.

You know as well as I do that school safety is a serious problem. We cannot simply stand by the wayside and allow violence to continue disrupting the lives of students and communities. My

bill recognizes the widespread reach of these violent outbreaks, and tells communities that the federal government will not fail them. Communities are eager to protect their schoolchildren, and this bill will give them an opportunity to do so.

By Mrs. BOXER:

S. 748. A bill to make schools safer by waiving the local matching requirement under the Community Policing program for the placement of law enforcement officers in local schools; to the Committee on the Judiciary.

Mrs. BOXER. Mr. President, last month there were two school shootings in my state. A mere seventeen days and six miles away from each other, they claimed the lives of two students and wounded eighteen others. These shootings were terrible tragedies for their communities, and a painful reminder of the fragile security of our nation's schools.

To combat these tragic acts of violence, many schools employ safety strategies that protect the millions of children, teenagers and adults that attend them every single day. The federal government plays a role in many of these programs. My amendment speaks to one of them: COPS In Schools.

Although we passed the COPS program in 1994, it was not until 1998 that the Department of Justice created a specific COPS In Schools program. Since then, nearly 3,800 police officers have been placed in 1,800 school districts across the nation. California alone has put 270 new police officers in schools across the state.

Unfortunately, not all schools are so lucky. At the time of last month's shooting at Santana High School in Santee, California, the school happened by pure luck to have two law enforcement officials near campus. The shooting spree at Santana High School lasted a mere six minutes. In this time, more than 30 rounds were shot, two teenagers were killed, and 13 people were wounded. It is dreadful to imagine what might have happened if the police had not responded so quickly.

An even more poignant situation, which underscored the absolutely vital role police officers play in our nation's schools, was the school shooting in El Cajon, California. This time, there were no deaths. A police officer—who had been stationed at Granite Hills High School after the Santana High School shooting occurred—responded immediately after hearing gunshots and managed to stop the shooter from claiming innocent lives. Had a police officer not been on campus, we may have been counting fatalities instead of injuries.

Make no mistake, the police officers put in schools by the COPS In Schools program are not there to simply patrol the hallways, nor are they there to make schools feel like prisons. Police officers in schools serve an important purpose: they work with school staff to develop anti-crime policies on campus,

implement procedures to ensure a safer school environment, and reassure parents that a police officer is there to deal with those students that might cause problems.

Local governments are required to provide 25 percent of the funding to hire these police officers, unless the Attorney General grants them a waiver. Under Attorney General Janet Reno, communities routinely received federal funding to hire police officers for schools without having to contribute matching funds. This was extremely generous, and I am hopeful that this policy will continue.

To ensure that it does, my bill permanently waives the local matching fund requirement for placing a police officer in a school. No child, teenager or adult attending one of America's public schools should be put in danger simply because of a lack of funding. Communities should be able to put police officers in their schools, period. My bill will allow them to do just that.

We know that having police officers in schools works. They help ensure the safety of our schools, our schoolchildren and our faculty every single day. I encourage my colleagues to show their commitment to our students by supporting this bill.

By Mr. FITZGERALD (for himself, Mr. SCHUMER, Mr. JEFFORDS, Mr. BINGAMAN, Mr. DEWINE, Mrs. CLINTON, Ms. COLLINS, Mr. LIEBERMAN, Mr. MCCAIN, Mr. KERRY, Mrs. FEINSTEIN, Ms. SNOWE, Mrs. BOXER, Mr. SMITH of Oregon, and Mr. TORRICELLI):

S. 749. A bill to provide that no Federal income tax shall be imposed on amounts received by victims of the Nazi regime or their heirs or estates, and for other purposes; to the Committee on Finance.

Mr. FITZGERALD. Mr. President, today I am introducing the Holocaust Survivors Tax Fairness Act of 2001. This important legislation would prevent the federal government from imposing the federal income tax on Holocaust restitution or compensation payments that victims of their heirs may receive.

More than 50 years after the end of World War II, many banks and companies in Europe are beginning to return stolen assets to survivors of the Holocaust and their heirs. In August of 1998, two of the largest banks in Switzerland agreed to distribute \$1.25 billion as restitution for assets wrongfully withheld during the Nazi reign. And in February of 1999, the German government agreed to establish a fund to compensate victims of the Holocaust. The legislation I am introducing ensures that the beneficiaries of these settlements and other Holocaust restitution or compensation arrangements can exclude the proceeds from taxable income on their federal income tax forms.

Holocaust survivors and their families have lived through unspeakable trage-

dies. While the restitution settlements pale in comparison to what they have lost, this measure ensures that survivors can keep all of what was returned to them without being unnecessarily burdened by taxes.

The Congress must send a clear message that to allow the federal government to tax away any reparations obtained by Holocaust survivors or their families because of their persecution by the Nazis or their sympathizers is simply unacceptable. Given that the average age of Holocaust survivors now exceeds 80 years of age, we believe it is imperative that the Congress act now to prevent the federal government from attempting to tax this money.

Similar legislation was agreed to by the Senate as an amendment to the Taxpayer Refund Act of 1999. The provision was retained in conference and included in the Taxpayer Refund and Relief Act of 1999. The final bill was vetoed, however, preventing this important provision regarding Holocaust reparations from becoming law.

After over 50 years of injustice, Holocaust survivors and their families are reclaiming what is rightfully theirs. Even as we support these efforts to reclaim stolen property, we must do our part in protecting the proceeds.

By Mr. BIDEN:

S. 750. A bill to amend the Internal Revenue Code of 1986 to provide the same tax treatment for danger pay allowance as for combat pay; to the Committee on Finance.

Mr. BIDEN. Mr. President, today I introduce a bill which would right a wrong, a small wrong, but a wrong nevertheless. It affects a handful of our nation's diplomats who serve in the world's most dangerous places: places like Bosnia and Lebanon. Our diplomats serve in some pretty difficult places, often in harm's way, just as our soldiers do.

These diplomats who serve in the most dangerous places receive a special allowance, which is aptly called "danger pay." This allowance is not unlike that paid to our military when they are in combat. In fact, in some places where our military and diplomatic personnel serve side by side, both receive a special allowance for their sacrifices.

The military justifiably receives this benefit tax-free. But our diplomatic personnel do not. Through an oversight in the Internal Revenue code, diplomats are taxed on their danger pay, even though they often face similar hardships and dangers. I think that's wrong.

The bill I introduce today, I have a bill which would right this wrong. It affects just a handful of people. But to them it will serve as recognition of the sacrifice they make when they represent the American people in dangerous places overseas.

I ask unanimous consent that the text of the bill be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 750

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

**SECTION 1. TREATMENT OF DANGER PAY ALLOWANCE.**

(a) IN GENERAL.—Subchapter C of chapter 80 of the Internal Revenue Code of 1986 (relating to provisions affecting more than one subtitle) is amended by adding at the end the following:

**"SEC. 7874. TREATMENT OF DANGER PAY ALLOWANCE.**

**"(a) GENERAL RULE.**—For purposes of the following provisions, a danger pay allowance area shall be treated in the same manner as if it were a combat zone (as determined under section 112):

**"(1)** Section 2(a)(3) (relating to special rule where deceased spouse was in missing status).

**"(2)** Section 112 (relating to the exclusion of certain combat pay of members of the Armed Forces).

**"(3)** Section 692 (relating to income taxes of members of Armed Forces on death).

**"(4)** Section 2201 (relating to members of the Armed Forces dying in combat zone or by reason of combat-zone-incurred wounds, etc.).

**"(5)** Section 3401(a)(1) (defining wages relating to combat pay for members of the Armed Forces).

**"(6)** Section 4253(d) (relating to the taxation of phone service originating from a combat zone from members of the Armed Forces).

**"(7)** Section 6013(f)(1) (relating to joint return where individual is in missing status).

**"(8)** Section 7508 (relating to time for performing certain acts postponed by reason of service in combat zone).

**"(b) DANGER PAY ALLOWANCE AREA.**—For purposes of this section, the term 'danger pay allowance area' means any area in which an individual receives a danger pay allowance under section 5923 of title 5, United States Code, for services performed in such area."

**(b) CONFORMING AMENDMENT.**—The table of sections for subchapter C of chapter 80 of the Internal Revenue Code of 1986 is amended by adding at the end the following:

**"Sec. 7874. Treatment of danger pay allowance."**

**(c) EFFECTIVE DATE.**—The amendments made by this section shall apply to remuneration paid in taxable years ending after the date of the enactment of this Act.

By Mrs. CLINTON:

S. 751. A bill to express the sense of the Senate concerning a new drinking water standard for arsenic; to the Committee on Environment and Public Works.

Mrs. CLINTON. Mr. President, when Americans turn on their taps, they expect the water that comes out to be clean and safe. Unfortunately, that is not always the case.

I rise today to ask my colleagues to join me in expressing our support for the new health and science-based standard for arsenic in drinking water. The stronger standard can protect millions of Americans from a known carcinogen. A 1999 National Academy of Sciences report concluded that chronic ingestion of arsenic causes bladder, lung, and skin cancer. The Administration's proposal to withdraw this new standard puts the public health at risk.

The science is clear. The National Academy of Sciences has concluded

that the current standard, which has not been revised in nearly 60 years, does not meet EPA's goal of public-health protection and has urged that it be revised as quickly as possible.

The new, more protective arsenic standard of 10 parts per billion would put our national drinking water standard for arsenic in line with drinking water standards set at the state level, as well as international standards. The World Health Organization has established a guideline for arsenic in drinking water of 10 parts per billion, indicating that the value would be even lower if it were based on health concerns alone, without consideration for the technological and financial capabilities of certain countries.

Withdrawing this important new drinking water standard for arsenic also creates uncertainty for communities across the country that will ultimately need to construct or upgrade water treatment facilities to meet the new standard. These communities need and deserve as much time as is possible to come into compliance with the new standard.

This bill that I am introducing today expresses the Sense of the Senate that to provide maximum protection for public health and a maximum amount of time for communities to accommodate a new drinking water standard for arsenic, the new standard for arsenic in drinking water should be set no later than the statutory deadline of June 22, 2001.

Rather than rolling back science-based, public health standards for our nation's drinking water, we should be rolling up our sleeves and investing in our water infrastructure so that America's families can rest assured that their drinking water is clean and safe.

By Mr. BURNS:

S. 752. A bill to amend the Internal Revenue Code of 1986 to reclassify computer equipment as 3-year property for purposes of depreciation; to the Committee on Finance.

Mr. BURNS. Mr. President, I rise today, to introduce the Technology Depreciation Reform Act of 2001. This bill will update the U.S. Tax Code to reflect the evolution of the computer and other high-tech industries.

High-tech hardware is subjected to an outdated tax code. Currently, businesses must depreciate their computer equipment over a five year period. I believe this five year depreciation life for tax purposes is clearly outdated. Many companies today must update their computers as quickly as every 14 months in order to stay current technologically.

Depreciation schedules for technology assets have not been reformed since 1986. This legislation will amend the U.S. Tax Code by reducing the depreciation schedule for high-tech equipment from five years to three years.

I believe it is time to update an outdated tax code to reflect the realities

of today's technology-based workplace. A five year depreciation schedule for business computers is no longer realistic.

The Computer Depreciation Reform Act allows every company, from the neighborhood real estate office, to the local hospital, to the local bank to depreciate their computer equipment on a three year schedule. As a result, these companies will no longer be forced to pay for their high-tech equipment long after its useful life has become obsolete.

In short, the tax code is outdated for high-tech hardware. The five year schedule for technology assets is particularly outdated. In fact, this is an ice age for computer technologies. As the chairman of the Communications Subcommittee, I am very aware of the impact this is having on small businesses. Congress has not addressed this issue since 1986. However, the industry has evolved dramatically since that time.

I look forward to working with my colleagues on both sides of the aisle to update the tax code to reflect the realities of today's technological workplace.

By Mr. BREAUX (for himself, Mr. CRAIG, Mr. DORGAN, Mr. BURNS, Mr. CONRAD, Mr. ENZI, Ms. LANDRIEU, Mr. THOMAS, Mr. GRAHAM, Mr. CRAPO, Mr. BAUCUS, Mr. NELSON of Nebraska, Mr. DAYTON, Mr. INOUE, Mr. AKAKA, Mr. ALLARD, and Mr. HARKIN):

S. 753. A bill to amend the Harmonized Tariff Schedule of the United States to prevent circumvention of the sugar tariff-rate quotas; to the Committee on Finance.

Mr. BREAUX, Mr. President, unfair trade practices cannot and will not be tolerated. American jobs are hurt, industry suffers, and the economy loses.

Importing stuffed molasses into the United States is a classic example of an unfair trade practice being conducted in this country. Its importation circumvents the United States' GATT-legal sugar import tariff rate quota. It's time to end this scheme because our domestic sugar industry is being hurt by it.

As a trade practice, importing stuffed molasses is a crafty, refined scheme.

Stuffed molasses, as a product, consists of refined sugar being mixed with water and molasses for the purpose of disguising the refined sugar so it can evade the United States' GATT-legal tariff rate quota.

In its disguised state, stuffed molasses has no legitimate commercial use. It does, however, circumvent our legitimate sugar import tariff rate quota.

Once stuffed molasses is brought into the United States, the refined sugar is extracted from the water and molasses and sold in the United States' refined liquid sugar market. Once imported and extracted, it displaces legitimately-produced United States' sugar

and legitimately-imported sugar from the 40 countries which export sugar to this country under the tariff rate quota.

The United States company which imports stuffed molasses into this country, a subsidiary of an international conglomerate, brings it in through a tariff category for certain molasses products for which there is little or no tariff.

Senator LARRY CRAIG and I, as Co-Chairmen of the Senate Sweetener Caucus, are introducing today a bipartisan bill which would require the same tariff to be applied to stuffed molasses as is applicable currently to refined sugar imports.

We are pleased that 15 other senators have joined us in introducing the bill. We deeply appreciate their interest and support.

In January of this year, USDA issued a sugar and sweetener report which included the department's analysis of the stuffed molasses situation. For the period 1995/1996 to 1999/2000, USDA's report says stuffed molasses imports escalated from 8,056 short tons raw value to 118,105 short tons raw value, an increase approaching 1400 percent.

USDA's report also says stuffed molasses imports for 1999/2000 were the equivalent of 10.5 percent of imports under the raw and refined sugar tariff rate quotas for that period.

The USDA report forecasts Fiscal Year 2001 imports of stuffed molasses to increase to 125,000 short tons raw value. It also says the sugar used to make this disguised product originates in such countries as Australia and Brazil and is processed into stuffed molasses in Canada, from where it enters the United States.

Our bipartisan legislation makes it clear that its purpose is to stop an unfair trade practice by applying a legitimate tariff to a concocted product which is circumventing our GATT-legal tariff rate quota. It does not affect any other legitimately-traded molasses or molasses product which has been traded historically and has legitimate commercial uses.

This unfair trade practice, is completely unacceptable. It is a total rejection of all that is fair in trade. It must be stopped. Our legislation is designed to do just that. I join with Senator CRAIG and all of the bill's original cosponsors to invite all other Senators who oppose unfair trade practices to join us in cosponsoring the bill and voting for its passage.

By Mr. LEAHY (for himself, Mr. KOHL, Mr. SCHUMER, and Mr. DURBIN):

S. 754. A bill to enhance competition for prescription drugs by increasing the ability of the Department of Justice and Federal Trade Commission to enforce existing antitrust laws regarding brand name drugs and generic drugs; to the Committee on the Judiciary.

Mr. LEAHY. Mr. President, in the last Congress I introduced a bill, S.



2993, with Senator KOHL to give the Federal Trade Commission, FTC, and the Department of Justice, DOJ, the ability to effectively enforce antitrust laws concerning contract and payment arrangements between drug companies which could hurt consumers.

Unfortunately, no action was taken on that Leahy-Kohl bill, and the newspapers are now full of articles about allegations that Shering-Plough paid \$90 million to generic drug manufacturers to delay sales of a low-cost generic drug taken by heart patients.

While these allegations have yet to be resolved for those particular companies, this story highlights the need to pass legislation to prevent this type of problem from happening in the future.

If Dante were writing *The Inferno* today, he might well have reserved a special place for those who engage in these anti-consumer conspiracies.

The Federal Trade Commission deserves credit for exposing this problem, during last Congress and this Congress. Under the bill we are introducing today, companies are required to give the FTC and the Justice Department the information they need to prevent manufacturers of patented drugs—often brand-name drugs—from simply paying generic drug companies to keep lower-cost products off the market.

These deals which prevent competition hurt senior citizens, hurt families, and cheat healthcare providers.

These pharmaceutical giants and their generic partners then share the profits gained from cheating American families.

The companies have been able to get away with this by signing secret deals with each other not to compete. Our bill, the "Drug Competition Act of 2001", will expose these deals and subject them to immediate investigation and appropriate action by the Federal Trade Commission or the Justice Department.

This solves the most difficult problem faced by federal investigators: finding out about the improper deals. This bill does not change the so-called Hatch-Waxman Act, it does not amend FDA law, and it does not slow down the drug approval process. It allows existing antitrust laws to be enforced by ensuring that the enforcement agencies have information about no-compete deals. The same confidentiality requirements will still apply to the FTC and to DOJ, as under current law.

The issue of making deals which prevent competition was addressed in a New York Times editorial titled, "Driving Up Drug Prices," published on July 26, 2000. The editorial noted that even though the FTC "is taking aggressive action to curb the practice. It needs help from Congress to close loopholes in federal law."

This bill is that help, and the bill slams the door shut on would-be violators by exposing the deals to our competition enforcement agencies.

Under current law, manufacturers of generic drugs are encouraged to chal-

lenge weak or invalid patents on brand-name drugs so that consumers can enjoy lower generic drug prices.

Current law grants these generic companies a temporary protection from competition to the first manufacturer that gets permission to sell a generic drug before the patent on the brand-name drug expires.

This approach then gives the generic drug manufacturer a 180-day head start on other generic companies.

That was a good idea. The unfortunate loophole that has been open to exploitation is the fact that secret deals can be made that allow the manufacturer of the generic drug to claim the 180-day grace period, to block other generic drugs from entering the market, while, at the same time, getting paid by the brand-name manufacturer for not selling the lower-cost generic drug.

The bill we are introducing today will shut this loophole down for companies who want to cheat the public, but keeps the system the same for companies engaged in true competition with each other. This bill would give the FTC or the Justice Department the information they need to take quick and decisive action against companies driven more by greed than by good sense.

It is important for Congress not to overreact to these outrages by throwing out the good with the bad. Most generic companies want to take advantage of this 180-day provision and deliver quality generic drugs at much lower costs for consumers. We should not eliminate the incentive for them to do that.

Instead, we should let the FTC and DOJ look at every single deal that could lead to abuse so that only the deals that are consistent with the intent of that law will be allowed to stand.

We look forward to suggestions from other Members on this matter and from brand-name and generic manufacturers who will work with us to make sure this loophole is closed.

We are pleased that Congressman WAXMAN will introduce a companion bill in the House of Representatives. I look forward to working with him and with the other cosponsors in this effort.

I ask unanimous consent that a brief summary of the Drug Competition Act be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

#### SUMMARY OF THE DRUG COMPETITION ACT OF 2001

The bill facilitates Federal Trade Commission and Department of Justice confidential review of agreements between brand-name drug manufacturers and potential generic competitors so that they can more efficiently enforce existing antitrust laws.

The bill covers brand-name drug manufacturers and generic manufacturers that enter into agreements regarding the sale or manufacture of a potentially competing generic equivalent (of any particular brand-name drug).

In cases where those agreements could have the effect of limiting sales of that ge-

neric-equivalent drug, or could limit the research or development of that competing generic, both (or all) companies are required to file the texts of those agreements with the Federal Trade Commission and with the Attorney General within 10 business days after the agreement is executed.

Failure to file may result in a civil penalty of not more than \$20,000, per day. The Act would take effect 90 days after enactment.

No existing time limits, requirements, or patent or drug approval systems are affected by this limited filing requirement. The bill does not amend the Sherman Act, other antitrust laws, the Federal Trade Commission Act, the Hatch-Waxman Act or other generic drug laws, the Federal Food, Drug and Cosmetic Act, or any patent or drug safety law.

#### STATEMENTS ON SUBMITTED RESOLUTIONS—APRIL 5, 2001

#### SENATE RESOLUTION 66—EXPRESSING THE SENSE OF THE SENATE REGARDING THE RELEASE OF TWENTY-FOUR UNITED STATES MILITARY PERSONNEL CURRENTLY BEING DETAINED BY THE PEOPLE'S REPUBLIC OF CHINA

Mr. THOMAS (for himself, Mr. KERRY, Mr. WARNER, Mrs. FEINSTEIN, Mr. MURKOWSKI, Mr. BIDEN, Mr. LUGAR, Mr. SMITH of Oregon, Mrs. CLINTON, Mr. BROWNBACK, Mr. BAUCUS, Mr. ROBERTS, Mr. NELSON of Florida, Mr. LIEBERMAN, Mr. KENNEDY, Mr. DODD, Mr. TORRICELLI, Mr. CORZINE, Mr. MCCONNELL, Mr. LEVIN, Mrs. BOXER, Mr. WELLSTONE, Mr. DASCHLE, Mr. ROCKEFELLER, Mrs. CARNAHAN, Mr. CONRAD, Mrs. MURRAY, Mr. THURMOND, Mr. CRAPO, Mr. DORGAN, Mr. BAYH, Mr. CAMPBELL, Ms. CANTWELL, Ms. COLLINS, Mr. EDWARDS, Mr. KOHL, Mr. HUTCHINSON, Mr. FITZGERALD, Mr. INOUE, Mr. JOHNSON, and Ms. SNOWE) submitted the following resolution; which was referred to the Committee on Foreign Relations:

Mrs. CLINTON. Mr. President, I rise in support of Senator THOMAS' resolution, which calls for the immediate release of the crew members of the EP-3E that was forced to make an emergency landing at the Lingshui, Hainan airbase on April 1st. Securing the safe return of the crew and their aircraft is a top priority for our country and this resolution makes that clear.

And I know that I speak for my constituents when I say that I am deeply concerned about the safety of the twenty-four U.S. crew members who are being held in China. My thoughts and prayers are with all of them and their family members, including the family of Kenneth Richter, a Navy cryptographer and native of Staten Island, New York.

We are fortunate to have brave men and women like Kenneth Richter serve our country. It is a reminder of how the courage and hard work of those in our armed forces help to keep America free and secure.

All Americans stand as one behind the President as our nation presses for